P2 GOLD INC.

(Formerly Central Timmins Exploration Corp.)

Financial Statements

For the years ended December 31, 2020 and 2019

Independent auditor's report

To the Shareholders of P2 Gold Inc. (Formerly Central Timmins Exploration Corp.)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of P2 Gold Inc. (the Company) as at December 31, 2020 and its financial performance and its cash flows for the year 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 financial statements comprise:

- the statement of financial position as at December 31, 2020;
- the statement of loss and comprehensive for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the 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 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 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 1 in the 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.

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Comparative information

The financial statements of the Company for the year ended December 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on April 27, 2020.

Other information

Management is responsible for the other information. The other information comprises the 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.

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 IFRS, 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 Mark Patterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 9, 2021

P2 GOLD INC.
(Formerly Central Timmins Exploration Corp.)

Statements of Financial Position

(Expressed in Canadian Dollars)

	Note	As at December 31, 2020	December 31, 2019
		$	$
Assets			
Current Assets			
Cash	*7*	**1,634,964**	570,337
Receivables and other assets	*8*	**225,402**	49,908
		1,860,366	620,245
Non-Current Assets			
Right-of-use assets	*9*	**-**	44,190
Total Assets		**1,860,366**	664,435
Liabilities			
Current Liabilities			
Trade and other payables	*11,13*	**118,007**	103,594
Current portion of lease liability	*10*	**-**	40,532
		118,007	144,126
Non-Current Liabilities			
Lease liabilities	*10*	**-**	5,551
Total Liabilities		**118,007**	149,677
Shareholders' Equity			
Capital stock	*14*	**8,490,458**	2,792,644
Warrant reserve	*15*	**9,489**	131,807
Share-based payment reserve	*14*	**939,282**	274,856
Deficit		**(7,696,870)**	(2,684,549)
		1,742,359	514,758
Total Liabilities and Shareholders' Equity		**1,860,366**	664,435

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 16)
Subsequent Events (Note 18)

Approved by the Board of Directors

"Ron MacDonald"
Director

"Joseph Ovsenek"
President, CEO and Director

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

(Expressed in Canadian Dollars)

		Year ended December 31,	
	Note	***2020***	*2019*
		$	$
Administrative Expenses			
Interest Income		**(4,012)**	(9,727)
Professional fees		**291,570**	303,614
General and administrative		**139,666**	72,243
Depreciation	*9*	**27,855**	47,931
Part XII.6 tax		**-**	4,364
Share-based payments	*14(d)*	**664,426**	162,080
Interest expense	*10*	**1,527**	6,181
Shareholder information		**120,332**	44,270
Investor relations and travel		**47,056**	83,657
Total Administrative Expenses		**(1,288,420)**	(714,613)
Exploration and evaluation expenditures	*4*	**(3,918,523)**	(1,223,863)
Gain on sale of exploration property	*4*	**-**	258,845
Loss on sale of an asset		**(5,378)**	-
Flow-through share premium recovery		**200,000**	375,000
`Net loss and comprehensive loss for the year		**(5,012,321)**	(1,304,631)
Loss per share - basic and diluted		**$ (0.26)**	$ (0.15)
Weighted average number of shares outstanding – basic and diluted*		**19,222,112**	8,558,331

**On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 14 (b)). All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.*

Statements of Changes in Equity
For the Years Ended December, 2020 and 2019
(Expressed in Canadian Dollars)

		Capital Stock		Reserves			
	Note	**Number of shares***	**Amount**	**Share-based payments**	**Warrants**	**Deficit**	**Total**
Balance at December 31, 2018		**8,558,331**	**$ 2,792,644**	**$ 112,776**	**$ 126,962**	**$ (1,379,918)**	**$ 1,652,464**
Reserve on issuance of stock options	*14*	-	-	162,080	-	-	162,080
Reserve on issuance of warrants	*4,15*	-	-	-	4,845	-	4,845
Net loss and comprehensive loss for the year		-	-	-	-	(1,304,631)	(1,304,631)
Balance at December 31, 2019		**8,558,331**	**$ 2,792,644**	**$ 274,856**	**$ 131,807**	**$ (2,684,549)**	**$ 514,758**
Private placements	*14*	20,160,000	5,424,000				5,424,000
Shares issued for property payment	*4*	800,000	486,000				486,000
Share issuance cost			(134,965)				(134,965)
Premium liability on flow-through shares		-	(200,000)	-	-	-	(200,000)
Reserve on issuance of warrants	*4,15*	-	-	-	461	-	461
Reserve on issuance of stock options	*14*	-	-	664,426	-	-	664,426
Expiry of warrants			122,779		(122,779)	-	
Net loss and comprehensive loss for the year		-	-	-	-	(5,012,321)	(5,012,321)
Balance at December 31, 2020		**29,518,331**	**$ 8,490,458**	**$ 939,282**	**$ 9,489**	**$ (7,696,870)**	**$ 1,742,359**

**On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 14 (b)). All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.*

P2 GOLD INC.
(Formerly Central Timmins Exploration Corp.)

Statements of Cash Flows
(Expressed in Canadian Dollars)

	Note	2020	2019
		Year ending December 31,	
Operating activities		**$**	$
Net loss for the year		**(5,012,321)**	(1,304,631)
Items not involving cash:			
Share-based payments	*14*	**664,426**	162,080
Shares issued for property option payments		**486,000**	-
Depreciation	*9*	**27,855**	47,931
Interest Expense	*10*	**1,527**	6,181
Loss on sale of equipment		**5,378**	-
Warrants issued for MOU agreement	*15*	**461**	4,845
Flow-through share premium recovery		**(200,000)**	(375,000)
Change in non-cash working capital:			
Receivables and other assets		**(175,494)**	39,197
Trade and other payables		**14,413**	(26,359)
		(4,187,755)	(1,445,756)
Investing activities			
Purchase of equipment		**(30,157)**	-
Proceeds from sale of equipment		**24,779**	-
		(5,378)	-
Financing activities			
Proceeds from private placement, net of share issuance costs		**5,289,035**	-
Lease payments	*10*	**(31,275)**	(52,219)
		5,257,760	(52,219)
Increase (Decrease) in cash		**1,064,627**	(1,497,975)
Cash at beginning of year		**570,337**	2,068,312
Cash at end of year		**1,634,964**	570,337

1. NATURE OF OPERATIONS AND GOING CONCERN

P2 Gold Inc. (the "Company" or "P2 Gold") (Formerly Central Timmins Exploration Corp.)) was incorporated on November 10, 2017 under the laws of the *Canada Business Corporations Act*. On August 31, 2020 the Company concurrently changed its name to P2 Gold Inc. and filed Notice of Articles to continue its incorporation under the *Business Corporations Act* (British Columbia).

The Company's common shares commenced trading October 16, 2018 on the TSX Venture Exchange (the "Exchange") under the symbol "CTEC". On August 31, 2020 the Company's trading symbol changed from "CTEC" to "PGLD".

The Company's head office is located at 355 Burrard Street, Suite 1100, Vancouver, BC, Canada, V6C 2G8. The Company is a junior mining, exploration and development company engaged in the acquisition, exploration and development of mineral resource properties primarily in British Columbia, Canada and the western United States. Substantially all of the Company's efforts are devoted to financing and acquiring these properties. There has been no determination whether the Company's interests in mineral properties will contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that future exploration programs will result in profitable mining operations. The Company's continued existence will be dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

During the year, there was a global outbreak of COVID-19 ("Coronavirus"), which has had a significant impact on businesses through the restrictions put in place by the governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the full extent of the impact the Coronavirus outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted; however, it may impact upon our ability to carry out exploration project activities due to travel restrictions or complete financings due to impacts on capital markets. These financial statements have been prepared using International Financial Reporting Standards ("IFRS") that are applicable to a going concern.

As at December 31, 2020, the Company had working capital of $1,742,359 (2019 - $476,119), had not yet achieved profitable operations, had accumulated losses of $7,696,870 (2019 - $2,684,549) and expects to incur future losses in the development of its business. During the year ending December 31, 2020 the Company utilized $4,187,755 (2019 - $1,445,756) in operating activities.

The Company will require substantial additional funds to explore and, if warranted, develop its acquired exploration properties. The Company has limited financial resources and no current source of revenue, and there is no assurance that additional funding will be available to the Company to carry out the completion of its planned exploration activities. Failure to obtain such additional financing could result in the delay or indefinite postponement of future exploration and property development. The terms of any additional financing obtained by the Company could result in significant dilution to the shareholders of the Company. These factors and the Company's financial position indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

These 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. Such adjustments could be material.

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2. BASIS OF PREPARATION

On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 14 (b)). Prior to the consolidation, the Corporation had 51,350,000 common shares issued and outstanding. Upon completion of the share consolidation, the number of post-consolidation common shares issued and outstanding was 8,558,331 (on a non-diluted basis). All references to the number of shares, options and warrants and per share amounts have been retroactively restated to reflect the consolidation.

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements were authorized for issuance by the Board of Directors of the Company on April 9,2021.

2.2 Basis of presentation and functional and presentation currency

These financial statements have been prepared on a going concern basis, under the historical cost convention, except for financial instruments measured at fair value through profit and loss which are carried at fair value and have been prepared using the accrual basis of accounting except for cash flow information, as explained in the accounting policies set out in Note 3.

The financial statements are presented in Canadian Dollars, which is also the functional currency of the Company.

2.3 Significant accounting policy judgments and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The application of the Company's accounting policies does not involve the application of significant judgement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Exploration and evaluation expenditures

All exploration and evaluation costs are charged to the statements of loss and comprehensive loss under the heading "Exploration and evaluation expenditures" in the period incurred until such time as it has been determined that a property has economically recoverable mineral reserves, in which case subsequent exploration costs and the costs incurred to develop the property are first tested for impairment and then capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated mineral reserves and mineral resources as the depletion base. Exploration and evaluation costs include the cost of acquiring claims, property option payments and property evaluation activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Provisions and asset retirement obligations ("ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations can be estimated reliably and result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its present value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2020 and 2019, no provisions have been recorded and no asset retirement obligations have been incurred to date.

3.3 Equity

Share capital represents the amount received on the issue of shares, less issuance costs. If shares are issued when options and warrants and conversion options are exercised, the share capital account also comprises the costs previously recorded as share-based payments reserve and warrant reserves. In addition, if shares are issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day immediately preceding the conclusion of the agreement.

Share-based payment transactions

Employees or those providing services similar to those performed by an employee, including consultants and Directors of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees receive equity instruments as consideration for services rendered ("equity-settled transactions").

Equity settled transactions

The costs of equity-settled transactions with employees or those providing similar services are measured by reference to the fair value of the equity instruments at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payment reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, an additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Other elements of equity

Warrant reserve includes the value of outstanding warrants. When warrants are exercised, the related compensation cost and value are transferred to share capital. Deficit includes all current and prior period retained profits or losses and the value of expired warrants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Taxation

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.5 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share amounts are calculated by dividing net profit attributable to common shareholders by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares, which comprise warrants and stock options granted. During the years ended December 31, 2020 and 2019, shares issuable on exercise of all the outstanding stock options and warrants were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

3.6 Financial Instruments

IFRS 9 includes guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial Instruments (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss;
- Its contractual terms give rise to cash flows that are solely payments or principal and interest.

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

All financial instruments are initially recognized at fair value on the statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statements of loss and comprehensive loss for the period. Financial assets are classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. 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 profit or loss.

The Company's financial instruments are classified as follows:

Classification	Financial Instrument
Cash	Amortized Cost
Trade and other payables	Amortized Cost

3.7 Cash

Cash in the statements of financial position is comprised of cash held at a Canadian chartered bank.

3.8 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Flow-through shares

To the extent that the company issues common shares to subscribers on a flow-through basis at a premium to the market value of non-flow through common shares, any such premium is recorded as a liability on the company's statements of financial position at the time of subscription. This liability is reduced, on a pro-rata basis, as the company fulfills its expenditure renunciation obligation associated with such flow-through share issuances, with an offsetting recognized as income.

A deferred tax liability equal to the tax value of flow-through expenditures renounced is recognized once the company has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled once management establishes the intent to make renunciation filings with the appropriate taxation authorities. In respect of a prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

4. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures of the Company are detailed as follows:

	Year ended December 31	
	2020	2019
Silver Reef Property	**$ 1,528,352**	$ -
BAM Property	**635,903**	-
Todd Creek Property	**1,069,168**	-
Stockade Property	**218,543**	-
Lost Cabin Property	**332,961**	-
Timmins Project	**133,596**	1,223,863
Exploration and evaluation costs	**$ 3,918,523**	$ 1,223,863

	Year ended December 31	
	2020	*2019*
Acquisition costs	**$ 847,937**	$ 43,866
Assays	**184,605**	49,641
Drilling	**647,266**	484,752
Geophysical and MMI Surveys	**598,038**	271,203
Helicopters	**944,380**	**-**
Assessment reports	**36,440**	**-**
Technical Reports (NI 43-101)	**62,674**	-
Consulting	**366,193**	209,236
Other exploration and evaluation expenditures	**230,990**	165,165
	$ 3,918,523	$ 1,223,863

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Silver Reef Property

On June 11, 2020 the Company announced the signing of an option agreement with an arm's length private vendor to acquire up to a 100% interest in the Silver Reef Property located in northwest British Columbia, subject to regulatory approval.

Under the terms of the Option Agreement, the Company can acquire up to a 70% interest in Silver Reef over a three-year option period by paying to the vendor:

1. $50,000 (paid) and 200,000 shares (issued) in its capital on the signing of the agreement
2. $200,000 and 200,000 shares in its capital on the first anniversary of the agreement; and
3. $500,000 and 800,000 shares in its capital on the second anniversary of the agreement.

To maintain the option, the Company is also required to incur exploration expenditures of $250,000 before the first anniversary of the agreement (completed), $750,000 of cumulative exploration expenditures by the second anniversary of the agreement (completed) and $2 million of cumulative exploration expenditures by the third anniversary of the agreement. Following exercise of the option, the Company has the right for a period of 120 days to acquire the remaining 30% interest in Silver Reef, for a 100% total interest, on payment of $7.5 million of which up to $4 million may be paid in shares of the Company at its election. If the Company elects to not purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the operator.

During the first three years of the joint venture, the Company will fund the vendor's participating interest in the joint venture. If the vendor fails to sell its interest in the joint venture during such three-year period, the vendor's interest will convert to a 3% net smelter returns royalty, provided that the Company will have the opportunity to purchase the vendor's interest prior to such conversion for $7.5 million.

BAM Property

On July 2,2020, the Company announced the signing of an option agreement with an arm's length private vendor to acquire up to a 100% interest in the BAM property, located within the Golden Triangle in northwest British Columbia.

Under the terms of the BAM Option Agreement, the Company can acquire up to a 70% interest in the BAM Property over a three-year option period by paying to the vendor:

1. $60,000 (paid) and 200,000 common shares (issued) in its capital on the signing of the agreement;
2. $150,000 and 200,000 common shares in its capital on the first anniversary of the agreement;
3. $200,000 and 200,000 common shares in its capital on the second anniversary of the agreement; and
4. $550,000 and 800,000 common shares in its capital on the third anniversary of the agreement.

To maintain the option, the Company is also required to incur exploration expenditures of $150,000 before the first anniversary of the agreement (completed), $400,000 of cumulative exploration expenditures by the second anniversary of the agreement (completed) and $750,000 of cumulative exploration expenditures by the third anniversary of the agreement. Following exercise of the option, the Company has the right for a period of 120 days to acquire the remaining 30% interest in the BAM Property, for a 100% total interest, on payment of $7.5 million of which up to $4 million may be paid in common shares of the Company at its election. If the Company elects to not purchase the remaining 30% interest, the Company and the vendor shall form a joint venture, with the Company appointed the operator.

During the first three years of the joint venture, the Company will fund the vendor's participating interest in the joint venture. If the vendor fails to sell its interest in the joint venture during such three-year period, the vendor's interest will convert to a 2% net smelter returns royalty (“NSR"), provided that the Company will have the opportunity to purchase the vendor's interest prior to such conversion for $7.5 million. Following the conversion of the vendor's interest to the BAM NSR, the Company may purchase 1% of the NSR for $2,000,000 (inflation adjusted from 2020).

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

BAM Property (continued)

The vendor has also agreed to assign to the Company two claims that form part of the BAM Property for $40,000 and a 2% NSR, 100% of which can be purchased by the Company for $1,125,000 prior to commercial production on such claims and 1% of which can be purchased for $300,000 (inflation adjusted from 2020) after commercial production is achieved on such claims

Todd Creek Property

On July 9, 2020, the Company announced the signing of an option agreement with ArcWest Exploration Inc, an arm's length TSX Venture Exchange listed company, to acquire up to a 70% interest in the Todd Creek property, located within the Golden Triangle in northwest British Columbia.

Under the terms of the Todd Creek Option Agreement, the Company can acquire (the "First Option") up to a 51% interest in the Todd Creek Property over a five-year option period by paying to ArcWest:

1. $100,000 (paid) and 200,000 common shares (issued) in its capital on the signing of the Todd Creek Option Agreement;
2. $150,000 on the first anniversary of the agreement;
3. $200,000 on the second anniversary of the agreement;
4. $200,000 on the third anniversary of the agreement;
5. $250,000 on the fourth anniversary of the agreement; and
6. $250,000 on the fifth anniversary of the agreement.

To maintain the option, the Company is also required to incur exploration expenditures of $500,000 before the first anniversary of the agreement (with a minimum of 1,000 meters of drilling) (completed), $3,000,000 of cumulative exploration expenditures by the second anniversary of the agreement, $6,500,000 of cumulative exploration expenditures by the third anniversary of the agreement, $10,000,000 of cumulative exploration expenditures by the fourth anniversary of the agreement and $15,000,000 of cumulative exploration expenditures by the fifth anniversary of the agreement.

Following exercise of the First Option, the Company has the right for a period of 60 days to acquire (the "Second Option") an additional 19% interest in the Todd Creek Property, for a 70% total interest, by completing a feasibility study within three years of the exercise of the First Option and paying to ArcWest $250,000 on each anniversary of the exercise of the First Option until the feasibility study is completed. ArcWest has the right, at its election, to receive any payment from the Company as cash, common shares in the Company's capital, or a combination of 50% cash and 50% common shares in the Company's capital. If ArcWest elects to receive any payment in common shares in the Company's capital, the common shares will be priced at the Company's 30-day volume weighted average price.

On exercise of the Second Option (or the First Option, if the Company does not elect to increase its interest by an additional 19%), the Company and ArcWest will form a joint venture, with the Company appointed the operator. Until commercial production is achieved on the Todd Creek Property, the Company will fund the first $100,000 of joint venture expenditures. If either party's joint venture interest is diluted to less than 10%, its joint venture interest will convert to a 2% net smelter returns royalty, one percent of which may be purchased by the other party for $5,000,000 at any time. If decision is made by the joint venture to place the property into production, the Company will arrange project financing for the joint venture, the repayment of which shall be made out of cash flows from the property in priority to distributions to the joint venture participants.

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Stockade Property

On July 10, 2020, the Company announced the signing of a mineral lease and option agreement with Bull Mountain Resources LLC (“BMR”), an arm's length private company, to lease a 100% interest in the Stockade property located in southeastern Oregon.

Under the terms of the Stockade Option Agreement, the Company has the right to use the Stockade Property for exploration and mining for a minimum of 50 years provided it continues to make the following pre-production payments:

1. US$20,000 (paid) and 100,000 common shares (issued) in the capital of the Company on signing the agreement;
2. US$10,000 six-months after the Effective Date (paid);
3. US$10,000 12-months after the Effective Date;
4. US$15,000 18-months after the Effective Date;
5. US$15,000 24-months after the Effective Date; and
6. US$25,000 30-months after the Effective Date and every six months thereafter.

The term of the Stockade Option Agreement may continue after 50 years provided active mining operations are being conducted on the Stockade Property.

To maintain the option, the Company is also required to incur minimum work expenditures on the Stockade Property of US$30,000 in the first year (completed) and a minimum of 2,000 meters of drilling in the second year. On achievement of production on the property, a production royalty of 2% of net smelter returns is payable on claims owned by BMR and 0.5% of net smelter returns is payable on third party claims and claims acquired within the area of influence, provided that a minimum production royalty of US$25,000 is payable quarterly. On payment to BMR of US$10,000,000 in any combination of preproduction payments, production royalties and minimum royalties, the production royalty on claims owned by BMR reduces to 1% and on third-party claims and claims acquired within the area of influence to 0.25%.

Lost Cabin Property

On September 10, 2020, the Company announced the signing of a mineral lease and option agreement with La Cuesta International, Inc., an arm's length private company, to lease a 100% interest in the Lost Cabin property located in south central Oregon.

Under the terms of the Lost Cabin Option Agreement, the Company has the right to use the Lost Cabin Property for exploration and mining for a minimum of 50 years provided it continues to make the following preproduction payments:

1. US$5,000 (paid) and 100,000 common shares (issued) in the capital of the Company on signing the agreement;
2. US$5,000 six-months after the Effective Date;
3. US$10,000 12-months after the Effective Date;
4. US$10,000 18-months after the Effective Date;
5. US$15,000 24-months after the Effective Date; and
6. US$20,000 30-months after the Effective Date and every six months thereafter.

The term of the Lost Cabin Option Agreement may continue after 50 years provided active mining operations are being conducted on the Lost Cabin Property.

To maintain the option, the Company is also required to incur minimum work expenditures on the Lost Cabin Property of US$30,000 in the first year and a minimum of 2,000 meters of drilling in the second year. On achievement of production on the property, a production royalty of 2% of net smelter returns is payable on claims owned by La Cuesta and 0.5% of net smelter returns is payable on third party claims and claims acquired within the area of influence, provided that a minimum production royalty of US$25,000 is payable quarterly. On payment to La Cuesta of US$10,000,000 in any combination of preproduction payments, production royalties and minimum royalties, the production royalty on claims owned by La Cuesta reduces to 1% and on third-party claims and claims acquired within the area of influence to 0.25%.

4. EXPLORATION AND EVALUATION EXPENDITURES (continued)

Timmins Project

As at December 31, 2020, the Company had a total of 653.5 (2019 – 653.5) claim units in the Porcupine Mining District ("The Timmins Area Project"), of which 77 (2019 – 77) are patented claims included in the Dayton Agreement, the Racetrack Agreement and the Goldstone Agreement, and 576.5 (December 31, 2019 – 576.5) are unpatented claim units.

On March 20, 2018, the Company entered into a memorandum of understanding (the "MOU") with the Matachewan First Nation and Mattagami First Nation (collectively, the "First Nations") Pursuant to the terms of the MOU, the Company agreed to pay to the First Nations an amount equal to 2% of all costs of the Phase I exploration on the Timmins Project up to the date of the agreement and annually thereafter. The total amount incurred for the year for these costs was $nil (December 31, 2019 - $17,781). In addition, an aggregate of 16,666 common shares and 16,666 common share purchase warrants ("Warrants") were to be issued the date the Company's common shares are listed on the TSX Venture Exchange (completed). The Warrants are exercisable into common shares at a price of $0.60 per common share for a period of five (5) years following the Closing Date, subject to vesting terms by which 25% vest on the date of issuance and the remaining vest equally over a period of eighteen months from the date of issuance. On October 16, 2018 both the 16,666 common shares and the 16,666 common share purchase warrants were issued.

The fair value of these respective warrants has been determined using the Black-Scholes valuation model based on a share price of $0.60, exercise price of $0.60, life expectancy of 5 years, volatility of 172.06%, risk free interest rate of 2.40% and a dividend yield of $nil. The total fair value of these warrants was $9,489 for which $4,611 (December 31, 2019 -$4,845) was included in exploration and evaluation expenditures as at December 31, 2020 period end.

On April 24, 2018, the Company entered into a Mining Claim Acquisition Agreement with Goldstone Resources Inc. ("Goldstone"), to acquire 100 per cent interest in 24 mining claims and 90 per cent interest in 2 additional claims all located in Deloro Township, Ontario ("Faymar Property"). Upon closing, the total consideration payable to Goldstone was $20,000 which was paid by the issuance of 33,333 common shares of CTEC at a value of $0.60 per share on October 16, 2018. Various claims are subject to a net smelter returns royalty of 0.2%.

On December 29, 2018 the Company entered into a definitive agreement with Goldcorp Canada Limited and Goldcorp Inc. (the "Porcupine Joint Venture") for the sale of certain of the Company's non-core mineral claims (the "Claims") to the Porcupine Joint Venture for aggregate proceeds of $258,624. The Claims consist of nine patented mineral claims in Deloro Township, Timmins, Ontario with a total area of approximately 327 acres. The sale transaction was completed on November 4, 2019. The company recorded a $258,845 gain from the sale of the property in the statements of loss and comprehensive loss during the year ending December 31, 2019.

On April 30, 2019, the Company entered into a Mining Option Agreement to acquire 3 patented claims in Mountjoy Township, south of Timmins for 100% ownership of both the patented surface rights and patented mining rights, subject to an aggregate total 2% Net Smelter Royalty ("NSR")

On May 19, 2020, the Company elected not to proceed with evaluation of the 3 patented claims in Mountjoy Township and will have no further rights or obligations relating to the claims or future amounts owing under the Mining Option Agreement

With the Company's exploration focus turned to British Columbia, Canada and the western United States, it has determined that the Timmins Project is non-core and decided to divest the Timmins Project. The Company has entered into an agreement with a private corporation for the sale of all of its interest in the Timmins Project, subject to the satisfaction of certain conditions.

5. CAPITAL MANAGEMENT

The Company includes shareholders' equity (deficit) in the definition of capital.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if management feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company has historically relied on equity financing to raise capital and will continue its attempts to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

6. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company classifies financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The Company's financial instruments are exposed to financial and other risks as summarized below:

Fair value

As at December 31, 2020, the carrying value approximates the fair value amounts of the Company's cash and trade and other payables.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

The Company's credit risk is primarily attributable to cash. The Company has no material concentration of credit risk arising from operations. Cash consists of bank deposits, which are held by a Canadian chartered bank, and management believes the risk of loss is remote.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and ensure an adequate supply of funds to enable the Company to carry out its intended programs. As at December 31, 2020, the Company had a cash balance of $1,634,964 (2019 - $570,337) to settle current liabilities of $118,007 (2019 -$144,126) subject to normal trade terms.

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Fair value (continued)

As at December 31, 2020, the Company had working capital of $1,742,359 (2019 - $476,119). In order to meet its longer-term working capital needs and property exploration expenditures, the Company intends on securing additional financing to ensure that those obligations are properly discharged. If adequate financing is not available or cannot be obtained on a timely basis, the Company may be required to delay, reduce the scope of, or eliminate one or more of its exploration activities or relinquish some or all of its rights to certain of its interests in mineral properties. (see Note 1)

7. CASH

The cash balance at December 31, 2020 consists of $1,634,964 (2019 - $570,337) on deposit with a major Canadian bank.

During the year ending December 31, 2020, the Company raised $1,200,000 (December 31, 2019 – $nil) in flow-through common share financing which, under the terms of the flow-through financings, these funds must be used to pay for qualifying exploration expenditures, as defined under the Canadian Income Tax Act. As at December 31, 2020, $nil (2019 – $nil) of the Company's cash balance is required for this purpose.

8. RECEIVABLES AND OTHER ASSETS

The Company's receivables and other assets arise from two main sources: 1) prepaid expenses and 2) receivables from government taxation authorities. These are broken down as follows:

As at		**December 31, 2020**		**December 31, 2019**
Prepaid expenses	**$**	**53,650**	**$**	**15,083**
GST/HST receivable		**171,752**		**34,825**
Total receivables and other assets	**$**	**225,402**	**$**	**49,908**

9. RIGHT-OF-USE ASSET

Balance December 31, 2018	**$**	**-**
IFRS 16 – right-of-use asset recognition at January 1, 2019		61,964
Additions		30,157
Depreciation		(47,931)
Balance, December 31, 2019	**$**	**44,190**
Disposals		(16,335)
Depreciation		(27,855)
Balance, December 31, 2020	**$**	**-**

Right-of-use assets consisted of the lease for the Company's office and a vehicle lease. They are amortized over a period of 19 months and 24 months respectively. During the year ending December 31, 2020, the Company disposed of its leased truck and settled the balance remaining on the office related lease obligation.

(Expressed in Canadian Dollars)

9. RIGHT-OF-USE ASSET (continued)

Maturity Analysis – Contractual Undiscounted Cash Flows		
As at	**December 31, 2020**	December 31, 2019
Less than one year	**$ -**	$ 41,478
Greater than one year	**-**	6,958
Total undiscounted lease obligation	**$ -**	$ 48,436

10. LEASE LIABILITY

On April 1, 2018, the Company entered into a 28-month sublease lease agreement to lease an office. During the year ending December 31, 2020, the Company paid the balance remaining on the related lease obligation.

On May 31, 2019, the Company entered into a 24-month lease agreement to lease a vehicle. During the year ending December 31, 2020, the Company disposed of its leased truck and paid the balance remaining on the related lease obligation.

The Company has recorded these leases as right-of-use assets (note 9) and lease liability in the statements of financial position as at December 31, 2020. At the commencement date of the leases, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 10%, which is the Company's incremental borrowing rate. Effective interest rate is 10.25%. The continuity of the lease liability is presented in the table below:

	Office and Vehicle Lease
Balance, December 31, 2018	**$ -**
IFRS 16 – right-of-use asset recognition at January 1, 2019	61,964
Additions	30,157
Interest expense	6,181
Lease payments	(52,219)
Balance, December 31, 2019	**$ 46,083**
Interest expense	1,527
Disposals	(16,335)
Lease payments	(31,275)
Balance, December 31, 2020	**$ -**

11. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration acquisition activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

As at	**December 31, 2020**	December 31, 2019
Trade payables	**$ 95,365**	$ 62,243
Accrued liabilities	**22,642**	41,351
Total trade and other payables	**$ 118,007**	$ 103,594

(Expressed in Canadian Dollars)

12. KEY MANAGEMENT COMPENSATION

The remuneration of directors and other members of key management personnel during the year ended December 31, 2020 and 2019 were as follows:

For year ended December 31,

	2020	2019
Management and consulting fees	**$ 75,842**	$ 140,000
Exploration and evaluation expenditures	**$ 18,000**	$ 72,000
Share-based compensation	**$ 664,426**	$ 141,820

In accordance with IAS 24, Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

13. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

As at December 31, 2020, the trade and other payables balance includes related party amounts of $12,870 (2019 - $8,204). The related parties are directors and officers of the Company, an individual who is related to the former President and CEO of the Company and entities over which executive management and directors have control or significant influence. The amounts are for services rendered during the year and arose as a result of transactions entered into with the related parties in the ordinary course of business.

On April 1, 2018, the Company entered into an agreement with a consultant related to the former President and Chief Executive Officer to perform services for a term of 2 years for $6,000 per month. The term of the agreement ended on March 31, 2020 and was not renewed.

On May 24, 2018, the Company entered into an agreement with the former President and Chief Executive Officer to perform services that commenced on the date of the public offering for a term of 3 years for $10,000 per month. On April 16, 2020 he resigned as a director and President and Chief Executive Officer of P2 Gold ; he continues as a technical consultant to the Company until the expiry of the original term.

On December 3, 2020, the Company entered into an agreement with the Chief Financial Officer to perform services for a term of six months, or as otherwise mutually agreed by both parties for US$3,000 per month.

14. CAPITAL STOCK

(a) Authorized

As at December 31, 2020, the Company's authorized number of common shares was unlimited and without par value.

b) Share consolidation

On January 9, 2020, the Company consolidated the share capital on the basis of one new share for every six old shares. All references to the number of shares, options, and warrants and per share amounts have been retroactively restated to reflect the consolidation.

Prior to the consolidation, the Corporation had 51,350,000 common shares issued and outstanding. Upon completion of the Share Consolidation, the number of post-consolidation common shares issued and outstanding was 8,558,331 (on a non-diluted basis). The share consolidation was approved by the TSX Venture Exchange on January 14, 2020, and the common shares started trading on the TSX Venture Exchange on a consolidated basis on the TSX Venture Exchange at the opening of trading on January 14, 2020.

(Expressed in Canadian Dollars)

14. CAPITAL STOCK (continued)

(c) Issued

	Number of Shares*		Amount
Balance at December 31, 2019	**8,558,331**	**$**	**2,792,644**
Private placement	20,160,000		5,424,000
Shares issued for property option payments (Note 3)	800,000		486,000
Share issue costs	-		(134,965)
Expiry of warrants	-		122,779
Premium liability on flow-through shares			(200,000)
Balance at December 31, 2020	**29,518,331**	**$**	**8,490,458**

*On January 9, 2020 the Company consolidated its outstanding common shares on a 6:1 basis (note 14 (b)). All references to the number of shares and per share amounts have been retroactively restated to reflect the consolidation.

On April 16, 2020 the Company closed a non-brokered private placement for aggregate gross proceeds of $500,000 (the “Offering”). The Offering consisted of the sale of 10,000,000 common shares of the Company (the "Shares") at a price of $0.05 per Share for aggregate gross proceeds of $500,000.

On July 28, 2020 the Company closed a non-brokered private placement for gross proceeds of $3.5 million. In closing the private placement, the Company issued 4.6 million non-flow-through units (the "Units") of the Company at a price of $0.50 per Unit for gross proceeds of $2.3 million and 2.0 million flow through common shares (the "FT Shares") in the capital of the Company at a price of $0.60 per FT Share for gross proceeds of $1.2 million. Each Unit consists of one non-flow-through common share in the capital of the Company and one non-flow-through common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional non-flow-through common share in the capital of the Company at an exercise price of $0.75 per common share for a period of two years from the date of issue (the "Expiry Time"), provided that, if after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than $1.25 for a period of 10 consecutive trading days at any time prior to the Expiry Time, the Company will have the right to accelerate the Expiry Time of the Warrants. In connection with the private placement, the Company paid finder's fees of $79,215. For the year ended December 31, 2020, the Company recognized a $200,000 as a flowthrough premium liability on issuance in connection with the private placements described above. The Company recognized an amount of $200,000 as an income tax recovery, in relation to flow-through private placements on completion of the related qualifying expenditures.

On August 7, 2020 the Company issued 200,000 common shares of the Company as per the Silver Reef Property Option Agreement with a fair value of $0.63 per share. (Note 4).

On August 7, 2020 the Company issued 200,000 common shares of the Company as per the BAM Property Option Agreement with a fair value of $0.63 per share. (Note 4).

On August 7, 2020 the Company issued 200,000 common shares of the Company as per the Todd Creek Property Option Agreement with a fair value of $0.63 per share. (Note 4).

On September 10 2020 the Company issued 100,000 common shares of the Company as per the Stockade Property Option Agreement with a fair value of $0.53 per share. (Note 4).

On September 14, 2020 the Company issued 100,000 common shares of the Company as per the Lost Cabin Property Option Agreement with a fair value of $0.55 per share. (Note 4).

(Expressed in Canadian Dollars)

14. CAPITAL STOCK (continued)

(c) Issued (continued)

On November 18, 2020 the Company closed Company closed a non-brokered private placement for gross proceeds of $1.424 million. In closing the Private Placement, the Company issued 3.56 million units (the "Units") of the Company at a price of $0.40 per Unit for gross proceeds of $1.424 million. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional common share in the capital of the Company at an exercise price of $0.65 per common share for a period of two years from the date of issue (the "Expiry Time"), provided that, if after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than $1.00 for a period of 10 consecutive trading days at any time prior to the Expiry Time, the Company will have the right to accelerate the Expiry Time of the Warrants. In connection with the Private Placement, the Company paid finder's fees of an aggregate of $19,080 to Haywood Securities Inc. and Canaccord Genuity Corp., representing 6% of the proceeds raised from subscriptions by certain placees.

(d) Stock Options – Stock Option Plan

The Company maintains a stock option plan (the "Stock Option Plan") which was ratified and approved by the shareholders of the Company on August 12, 2020. The Stock Option Plan is a "rolling" plan under which up to 10% of the issued and outstanding common shares of the Company from time to time, subject to adjustment in certain circumstances, may be issued.

In the event that no specific determination is made by the Board with respect to any of the following matters, the period during which an option shall be exercisable shall be five years from the date of grant except those options issued to persons or consultants employed in Investor Relation activities shall vest in stages over 12 months with no more than one quarter of the options vesting in any three-month period. Options granted during the period ending December 31, 2020 are exercisable two years from the date of grant.

All outstanding options have been expensed as share-based payments in the period in which they vested. As at December 31, 2020, 2,659,999 (2019 – 799,999) options were outstanding and have a weighted average exercise price of $0.482 (2019 – $0.527) per option.

A summary of stock options issued and outstanding is as follows:

As at	**December 31, 2020**		December 31, 2019	
	Weighted Average Exercise Price	**Number of Options**	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of year	**$ 0.527**	**799,999**	$ 0.60	566,666
Transactions during the year:				
Expired	**(0.60)**	**(56,250)**	-	-
Forfeited	**(0.55)**	**(68,750)**		
Granted	**0.47**	**1,985,000**	0.33	233,333
Outstanding at end of year	**0.482**	**2,659,999**	0.527	799,999
Exercisable at end of year	**$ 0.466**	**1,385,967**	$ 0.527	341,667

(Expressed in Canadian Dollars)

14. CAPITAL STOCK (continued)

(d) Stock Options – Stock Option Plan (continued)

The following common share purchase options are outstanding as at December 31, 2020:

Date of Grant	Number of Options Outstanding	Exercise Price ($)	Weighted Average remaining life (years)	Expiry Date
October 16, 2018	491,666	0.60	2.79	October 16, 2023
July 2, 2019	183,333	0.30	3.50	July 2, 2024
May 14, 2020	585,000	0.34	1.37	May 14, 2022
June 9, 2020	200,000	0.30	1.44	June 9, 2022
August 14,2020	900,000	0.61	1.61	August 14, 2022
August 18,2020	100,000	0.60	1.63	August 18, 2022
December 4, 2020	200,000	0.32	1.93	December 4, 2022
	2,659,999	**0.482**	**1.92**	

All options granted vest over periods of 1 to three years.

The following table summarizes the assumptions used with the Black-Scholes valuation model for stock options granted during the year ending December 31, 2020 and 2019:

Grant date	**April 5, 2019**	**July 2, 2019**	**May 14, 2020**	**June 9, 2020**	**August 14, 2020**	**August 18, 2020**	**December 4, 2020**
No. of options	25,000	208,333	585,000	200,000	900,000	100,000	200,000
Exercise price	$ 0.60	$ 0.30	$ 0.34	$ 0.30	$ 0.61	$ 0.60	$ 0.32
Expected life in years	5	5	2	2	2	2	2
Volatility	187.33%	177.37%	237.25%	234.75%	216.59%	216.59%	216.59%
Risk-free interest rate	1.61%	1.42%	0.32%	0.39%	0.33%	0.30%	0.20%
Dividend yield	-	-	-	-	-	-	-
Forfeiture rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Grant date share price	$0.48	$0.24	$0.34	$0.21	$0.60	$0.63	$0.32
Fair value of options granted	$ 11,534	$ 47,449	$ 180,379	$ 31,172	$ 471,821	$ 55,236	$ 55,976

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Volatility is based on the historical volatility of the Company. In the prior year, volatility was based on comparable companies. Changes in the underlying assumptions can materially affect the fair value estimates. For the year ended December 31, 2020, share-based payments expense totaled $664,426 (2019 – $162,080).

(Expressed in Canadian Dollars)

15. WARRANT RESERVE

A summary of the changes in the Company's reserve for warrants is set out below:

As at		December 31, 2020		December 31, 2019	
			Number of Warrants		Number of Warrants
Outstanding at beginning of year	$	131,807	301,249	$ 126,962	301,249
Transactions during the year					
Warrants issued – private placement		-	8,160,000		
Fair value of warrants issued - MOU		461	-	4,845	-
Fair value of broker's warrants issued		-	-	-	-
Expired		(122,779)	(284,583)	-	-
Outstanding at end of year	$	9,489	8,176,666	$ 131,807	301,249

The weighted average exercise price per warrant of the outstanding warrants as at December 31, 2020 was $0.706 (2019 - $0.60).

The following table summarizes the assumptions used with the Black-Scholes valuation model for warrants issued and outstanding as at December 31, 2020:

Grant date	October 16, 2018
No. of warrants	16,666
Exercise price	$ 0.60
Expected life in years	5
Volatility	172.06%
Risk-free interest rate	2.40%
Grant date share price	0.60
Dividend yield	-
Fair value of warrants	$ 9,489

Broker warrants issued to non-employees were valued using the fair value of the equity instrument granted in the absence of a reliable estimate of the fair value of the goods or services received.

On October 16, 2018, the Company issued 16,666 warrants of the Company at an exercise price of $0.60 expiring 5 years from the date the Company's common shares are listed on the TSX Venture Exchange pursuant to MOU agreement with the Matachewan First Nation and Mattagami First Nation dated March 20, 2018.

These warrants are to vest as follows: (i) 25% vesting on the date the Company's common shares are listed on the TSX Venture Exchange; (ii) 25% vesting six (6) months following the date the Company's common shares are listed on the TSX Venture Exchange; (iii) 25% vesting twelve (12) months following the date the Company's common shares are listed on the TSX Venture Exchange; and (iv) 25% vesting eighteen (18) months following the date the Company's common shares are listed on the TSX Venture Exchange.(See Note 3) As at December 31, 2020, 16,666 (2019 – 8,333) of these warrants are exercisable and $461 (December 31, 2019 - $4,845) of the fair value was included in exploration and evaluation expenditures.

16. COMMITMENTS AND CONTINGENCIES

The Company is committed to monthly payments under the terms of management and consulting contracts and the office lease. The aggregate remaining payments per year are as follows:

2021	$ 220,292
2022	$ 137,432
2023	$ 140,784

(Expressed in Canadian Dollars)

17. INCOME TAXES

(a) Provision for Income Taxes

The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 27.00% (2019 -26.50%) were the following:

	December 31, 2020	December 31, 2019
Loss before income taxes	**$ (5,012,321)**	$ (1,304,631)
Expected tax recovery at statutory rates	**(1,353,327)**	(345,727)
Non-deductible	**125,395**	(56,423)
Share issue costs	**(36,441)**	-
Flow-through renunciation	**324,000**	265,000
Impact of changes in tax rates	**(8,001)**	-
Deferred taxes not recognized	**948,374**	137,150
	$ -	$ -

(b) Deferred Tax Balances

The deferred income tax asset is compromised of the following temporary differences:

	December 31, 2020	December 31, 2019
Share issue costs	**$ 62,263**	$ 48,746
Non-capital loss carry forwards	**524,745**	325,765
Exploration expenditures	**862,433**	126,053
Others	**-**	502
Deferred income taxes not recognized	**(1,449,441)**	(501,066)
	$ -	$ -

Non-capital losses will expire between 2037 and 2040. Share issue costs will be deducted over the next 4 years. The remaining deductible difference may be carried forward indefinitely.

(c) Tax Loss Carry-forwards

The Company has accumulated non-capital losses of $1,943,499, which may be deducted in the calculation of taxable income in future years. The losses expire as follows:

2037	$	110,996
2038	$	506,355
2039	$	611,955
2040	$	714,193
	$	1,943,499

18. SUBSEQUENT EVENTS

a) On January 29, 2021, pursuant to its Stock Option Plan, the Company granted stock options to an officer and certain consultants of the Company to purchase an aggregate of 175,000 common shares in the capital of the Company at an exercise price of $0.52 per share which expire on January 27, 2023. Following this stock option grant, the Company has a total of 2,834,999 stock options outstanding representing approximately 9.6% of the outstanding common shares of the Company.

b) Gabbs Project Acquisition
On February 23, 2021 the Company entered into an agreement with Borealis Mining Company, LLC ("Waterton"), an indirect, wholly-owned subsidiary of Waterton Precious Metals Fund II Cayman, LP to acquire all of the assets that comprise the Gabbs Project located on the Walker-Lane Trend in the Fairplay Mining District of Nye County, Nevada (the "Transaction"). The closing of the Transaction remains subject to the satisfaction of customary closing conditions for a transaction of such nature, including acceptance by the TSX Venture Exchange (the "Exchange") and the completion of the Private Placement (defined below). The Transaction will be an arm's length transaction under Exchange policies.

Gabbs Project Financing
On April 6, 2021, the Company announced that it intends to complete a non-brokered private placement of 32 million units at a price of $0.50 per unit for aggregate gross proceeds of $16 million (the "Private Placement"). Each Unit will consist of one common share in the capital of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder to purchase one additional common share in the capital of the Company at an exercise price of $0.85 per common share for a period of two years from the date of issue (the "Expiry Time"), provided that, if after four months from the date of issue, the closing price of the common shares of the Company on the TSX Venture Exchange (the "Exchange") is equal to or greater than $1.50 for a period of 10 consecutive trading days at any time prior to the Expiry Time, the Company will have the right to accelerate the Expiry Time of the Warrants by giving notice to the holders of the Warrants by news release or other form of notice permitted by the certificate representing the Warrants that the Warrants will expire at 4:30 p.m. (Vancouver time) on a date that is not less than 15 days from the date notice is given. The Private Placement remains subject to approval of the Exchange. The net proceeds of the Private Placement will be used to fund the acquisition of the Gabbs Project, the Phase 1 exploration of the Gabbs Project and for general corporate purposes. If the Transaction has not closed by May 21, 2021 the unit receipts will automatically be cancelled and all unit proceeds will be returned to the subscribers.