



**KENORLAND MINERALS LTD.  
(formerly Northway Resources Corp.)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**(EXPRESSED IN CANADIAN DOLLARS)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Kenorland Minerals Ltd. (formerly Northway Resources Corp.)

### *Opinion*

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

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

### *Basis for Opinion*

We conducted our audits 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 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.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the 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 David Harris.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

April 28, 2021

**KENORLAND MINERALS LTD.**  
**(formerly NORTHWAY RESOURCES CORP.)**

Consolidated Statements of Financial Position  
(Expressed in Canadian Dollars)

	Note	December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		12,544,941	659,469
Receivables	3	1,023,831	390,165
Prepaid expenses		187,745	17,380
		<b>13,756,517</b>	<b>1,067,014</b>
<b>Exploration advances</b>		1,473	221,822
<b>Investment in equity instruments</b>	5	631,317	585,961
<b>Exploration and evaluation assets</b>	6, 13	3,276,503	1,067,685
<b>Equipment</b>	7	15,383	3,795
<b>Right-of-use assets</b>	8	39,042	47,665
		<b>17,720,235</b>	<b>2,993,942</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	2,362,580	215,542
Advances received	6	1,448,588	588,015
Current portion of lease liabilities	8	28,499	19,127
		<b>3,839,667</b>	<b>822,684</b>
<b>RSU liability</b>	11	420,620	23,837
<b>Government loans payable</b>	10	80,000	-
<b>Lease liabilities</b>	8	12,475	29,487
		<b>4,352,762</b>	<b>876,008</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	17,571,630	2,058,329
Reserves	11	2,164,534	235,275
Accumulated other comprehensive income		-	306
Deficit		(6,368,691)	(175,976)
		<b>13,367,473</b>	<b>2,117,934</b>
		<b>17,720,235</b>	<b>2,993,942</b>

**Nature and continuance of operations (Note 1) and Subsequent events (Note 20)**

The consolidated financial statements of the Company were approved and authorized by the Board of Directors on April 28, 2021.

On behalf of the Board of Directors:

“Jessica Van Den Akker”

Director

“Jay Sujir”

Director

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

**KENORLAND MINERALS LTD.**  
**(formerly NORTHWAY RESOURCES CORP.)**

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Expressed in Canadian Dollars)

		For the year ended December 31,	
	Note	2020	2019
		\$	\$
<b>Revenue</b>		631,186	787,735
<b>Operating expenses</b>			
Bank charges and interest		7,671	7,661
Conferences and marketing		60,329	8,256
Consulting	13	120,072	67,303
Depreciation	7, 8	31,992	12,864
Foreign exchange loss		68	50,400
Geologists	13	301,587	190,901
Insurance		14,363	17,452
Interest on lease liability		3,887	2,233
Office expenses		45,974	32,385
Professional fees		673,194	90,764
Project generation		18,070	13,070
Rent	13	2,126	9,323
Salaries and benefits	13	58,117	158,111
Share-based compensation	11, 13	887,079	133,591
Travel and related		17,945	25,303
		(2,242,474)	(819,617)
<b>Loss from operations</b>		(1,611,288)	(31,882)
<b>Other income (expenses)</b>			
Gain on sale of mineral claims	5, 6	77,715	-
Interest and other income		11,434	-
Gain on deconsolidation	4	-	282,944
Net change in fair value of investments	4, 5	780,734	250,371
Loss on equity investment	4	-	(28,417)
Loss on cancellation of shares and warrants	4	(1,035,378)	-
Listing expenses	4	(4,415,932)	-
Impairment of exploration and evaluation assets	6	-	(128,527)
		(4,581,427)	376,371
<b>Income (loss) and comprehensive income (loss) for the year</b>		(6,192,715)	344,489
<b>Income (loss) attributable to:</b>			
Shareholders of the Company		(6,192,715)	344,850
Non-controlling interest	14	-	(361)
<b>Income (loss) for the year</b>		(6,192,715)	344,489

**Earnings (loss) per share (Note 12)**

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

**KENORLAND MINERALS LTD.**  
**(formerly NORTHWAY RESOURCES CORP.)**

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Expressed in Canadian Dollars)

	For the year ended December 31,	
	2020	2019
	\$	\$
<b>Income (loss) and comprehensive income (loss) for the year</b>	(6,192,715)	344,489
<b>Other comprehensive income (loss)</b>		
Foreign currency translation adjustment	(306)	306
<b>Comprehensive income (loss) for the year</b>	<b>(6,193,021)</b>	<b>344,795</b>
<b>Comprehensive income (loss) attributable to:</b>		
Shareholders of the company	(6,193,021)	345,156
Non-controlling interest	-	(361)
<b>Comprehensive income (loss) for the year</b>	<b>(6,193,021)</b>	<b>344,795</b>

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



**KENORLAND MINERALS LTD.**  
**(formerly NORTHWAY RESOURCES CORP.)**

Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Non- Controlling Interest	Total Shareholders' Equity
		\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>24,000,002</b>	<b>1,530,000</b>	<b>125,521</b>	<b>-</b>	<b>(520,826)</b>	<b>64,978</b>	<b>1,199,673</b>
Shares issued for cash	2,140,000	535,000	-	-	-	-	535,000
Share issuance costs	-	(6,671)	-	-	-	-	(6,671)
Non-controlling interest	-	-	-	-	-	(64,617)	(64,617)
Share-based compensation	-	-	109,754	-	-	-	109,754
Foreign exchange on translation	-	-	-	306	-	-	306
Net income for the year	-	-	-	-	344,850	(361)	344,489
<b>Balance, December 31, 2019</b>	<b>26,140,002</b>	<b>2,058,329</b>	<b>235,275</b>	<b>306</b>	<b>(175,976)</b>	<b>-</b>	<b>2,117,934</b>
Shares issued for cash	4,078,000	1,019,500	-	-	-	-	1,019,500
Options exercised	200,000	24,404	(9,404)	-	-	-	15,000
Shares issued for RTO	5,055,135	5,055,135	-	-	-	-	5,055,135
Shares issued for subscription receipts	10,000,000	10,000,000	-	-	-	-	10,000,000
Share issuance costs	-	(562,555)	-	-	-	-	(562,555)
Broker warrants issued	-	(123,183)	123,183	-	-	-	-
Stock options issued for RTO	-	-	196,983	-	-	-	196,983
Warrants issued for RTO	-	-	1,228,201	-	-	-	1,228,201
Restricted share units exercised	100,000	100,000	-	-	-	-	100,000
Share-based compensation	-	-	390,296	-	-	-	390,296
Foreign exchange on translation	-	-	-	(306)	-	-	(306)
Loss for the year	-	-	-	-	(6,192,715)	-	(6,192,715)
<b>Balance, December 31, 2020</b>	<b>45,573,137</b>	<b>17,571,630</b>	<b>2,164,534</b>	<b>-</b>	<b>(6,368,691)</b>	<b>-</b>	<b>13,367,473</b>

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

**KENORLAND MINERALS LTD.**  
**(formerly NORTHWAY RESOURCES CORP.)**

Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

	For the year ended December 31,	
	2020	2019
	\$	\$
<b>Cash flows used in operating activities</b>		
Net income (loss) for the year	(6,192,715)	344,489
Adjustments for items not affecting cash:		
Depreciation	31,992	12,864
Gain on deconsolidation	-	(282,944)
Net change in fair value of investments	(780,734)	(250,371)
Gain on sale of mineral claims	(77,715)	-
Loss from investment in associate	-	28,417
Share-based compensation	887,079	133,591
Impairment on exploration and evaluation assets	-	128,527
Loss on cancellation of shares and warrants	1,035,378	-
Listing expenses	4,415,932	-
Change in non-cash working capital items		
Receivables	(641,887)	(327,347)
Prepaid expenses	(125,068)	(6,370)
Accounts payable and accrued liabilities	1,591,656	27,280
	143,918	(191,864)
<b>Cash flows used in investing activities</b>		
Exploration advances	-	(219,666)
Exploration and evaluation assets expenditures	(8,327,963)	(9,227,957)
Advances received for exploration and evaluation assets expenditures	9,002,699	9,429,422
Option proceeds received	-	66,015
Purchase of equipment	(16,020)	(3,279)
Cash eliminated on deconsolidation of investment	-	(33,496)
Acquisition of investments in equity instruments	(150,000)	-
Cash acquired from RTO	532,057	-
	1,040,773	11,039
<b>Cash flows provided by financing activities</b>		
Shares issued for cash	11,019,500	535,000
Share issuance costs	(379,800)	(6,671)
Options exercised	15,000	-
Advances to related parties	-	60,123
Repayment of lease liabilities	(26,577)	(10,556)
Government loans payable	80,000	-
	10,708,123	577,896
<b>Effect of foreign exchange on cash</b>	(7,342)	(9,001)
<b>Change in cash during the year</b>	11,885,472	388,070
<b>Cash, beginning of the year</b>	659,469	271,399
<b>Cash, end of the year</b>	12,544,941	659,469

**Supplemental disclosure with respect to cash flows** (Note 17)

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

**KENORLAND MINERALS LTD.  
(formerly NORTHWAY RESOURCES CORP.)**

Notes to Consolidated Financial Statements  
For the year ended December 31, 2020  
(Expressed in Canadian Dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Kenorland Minerals Ltd. (the "Company" or "Kenorland"), formerly Northway Resources Corp. ("Northway"), is the legal parent company of Kenorland Minerals North American Ltd. ("KNA"), formerly Kenorland Minerals Ltd. The Company was incorporated on May 29, 2018 under the Business Corporations Act of British Columbia. Its principal business activity is the acquisition and exploration of mineral properties. The head office of the Company is located at 310 – 119 West Pender Street, Vancouver B.C., V6B 1S5 and the registered and records office of the Company is located at 2080 – 777 Hornby Street, Vancouver B.C., V6Z 1S4. The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "KLD.V". In April 2021, the Company commenced trading on the Frankfurt Stock Exchange under the trading symbol "3WQ0".

On December 31, 2020, the Company completed its reverse takeover transaction with KNA by way of plan of arrangement under the Business Corporations Act (British Columbia) (the "RTO"). Pursuant to the RTO, KNA was acquired by and became a wholly-owned legal subsidiary of Northway. As part of the RTO, on December 31, 2020, Northway changed its name to Kenorland Minerals Ltd. and KNA changed its name to 1265114 BC Ltd. (subsequently changed to Kenorland Minerals North America Ltd.). Initially, the common shares of the Company were listed on the TSX-V under the ticker symbol "NTW.V". Effective December 31, 2020, the trading symbol of the Company was changed to "KLD.V".

Prior to completing the RTO, Northway consolidated its share capital, consisting of issued common shares, warrants and stock options, on the basis of one post-consolidation common share of Northway (each, a "Northway Share") for every seven common shares of Northway existing immediately before the consolidation (the "Consolidation"). The shareholders of KNA then exchanged their common shares of KNA for post-Consolidation Northway Shares on a one common share of KNA for two post-Consolidation Northway Shares. As a result of the RTO, the former shareholders of KNA acquired control of the Company. Likewise, all outstanding stock options and restricted share units of KNA were converted for stock options and restricted share units of Northway on the same basis. In addition, all Northway shares and warrants held by KNA prior to the RTO were cancelled without any repayment of capital. For accounting purposes, KNA is considered the acquirer and the Company, the acquiree. Accordingly, the consolidated financial statements are in the name of Kenorland Minerals Ltd.; however, they are a continuation of the financial statements of KNA (Note 4).

The Company's exploration and evaluation assets are at the exploration stage and are without a known body of commercial ore. The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The amounts shown as exploration and evaluation assets costs represent acquisition, holding and deferred exploration costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for exploration and evaluation assets costs is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

**KENORLAND MINERALS LTD.  
(formerly NORTHWAY RESOURCES CORP.)**

Notes to Consolidated Financial Statements  
For the year ended December 31, 2020  
(Expressed in Canadian Dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS (continued)**

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2020, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and raise equity capital or borrowings sufficient to meet current and future obligations. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management estimates its current working capital will be sufficient to fund its current level of activities for the next twelve months.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

**Statement of compliance**

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

**Basis of presentation**

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Name	Jurisdiction	Percentage owned	
		2020	2019
1223437 B.C. Ltd.	Canada	100%	-
Northway Resources Alaska Corporation	USA	100%	-
1223615 B.C. Ltd.	Canada	100%	-
Northway Napoleon Corporation	USA	100%	-
Kenorland Minerals North America Ltd.	Canada	100%	-
1118892 B.C. Ltd. ("1118892")	Canada	100%	100%
Kenorland Minerals USA Inc. ("KUSA")	USA	100%	100%
Kenorland Minerals Africa Ltd.	Canada	50%	-

**KENORLAND MINERALS LTD.  
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Notes to Consolidated Financial Statements  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of consolidation (continued)**

During the year ended December 31, 2019, the changes in KNA's ownership of Northway were as follows:

- On January 25, 2019, the ownership increased from 57% to 67% as a result of shares received from Northway for a settlement of receivables;
- On March 19, 2019, the ownership decreased from 67% to 38% as a result of Northway closing a non-brokered private placement for financing at which time KNA no longer controlled Northway and ceased to consolidate; and
- On August 22, 2019 the ownership decreased from 38% to 17% as a result of Northway completing an initial public offering.

All intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

**Use of estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates and judgements as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, determination of functional currency, valuation of share-based compensation and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

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Notes to Consolidated Financial Statements  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of estimates (continued)**

Level of control or influence over companies

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting.

Until March 19, 2019, KNA consolidated its investment in Kenorland as KNA had control over the key operating activities of Northway. Effective March 19, 2019, KNA accounted for its investment in Northway as an equity investment as it retained significant influence over the operations of Northway. On August 22, 2019, KNA no longer had the ability to influence the key operating activities of the entity; as such, KNA accounted for its investment under fair value through profit or loss (Note 4).

Going concern of operations

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).

Uncertainty of COVID-19 pandemic

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect and harm the Company's business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

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Notes to Consolidated Financial Statements  
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(Expressed in Canadian Dollars)

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

**Foreign currency translation**

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

**Financial instruments**

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss and cash and investments are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

**Financial instruments (continued)**

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, advances received, due to related party, RSU liability and lease liability are classified as amortized cost and carried on the statements of financial position at amortized cost.

As at December 31, 2019 and 2020, the Company does not have any derivative financial liabilities.

**Investments in associates**

The Company accounts for its investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses. The consolidated statement of loss and comprehensive loss reflects the share of the results of operations of the associated company from the acquisition date forward. Where there has been a change recognized directly in the equity of the associated company, the Company recognizes its share of any changes. Unrealized gains and losses resulting from transactions between the Company and the associated company are eliminated to the extent of the interest in the associated company.

The Company assesses its equity investments for impairment at each reporting date if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

- (i) significant financial difficulty of the associated companies;
- (ii) becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or
- (iii) national or local economic conditions that correlate with defaults of the associated companies.

If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss. Upon loss of significant influence over the associated company, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.



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

**Exploration and evaluation assets**

Pre-exploration costs are expensed as incurred. Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment, then transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property when received.

**Restoration and environmental obligations**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as the related assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

For the years presented, there were no significant restoration and environmental obligations.

**Farm outs**

The Company uses the carrying amount of the exploration and evaluation asset interest before the farm-out as the carrying amount for the portion of the interest retained. Any expenditures incurred by the Company for its own interest are added to the carrying value. Any cash consideration received is credited against the carrying amount of the portion of the interest retained and is recorded as a recovery, with any excess included as a gain in profit or loss.

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

**Property and equipment**

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using a declining balance method to write off the cost of the assets. The depreciation rate is applicable as follows:

Computer equipment	55% Declining balance
Furniture & equipment	20% Declining balance

**Impairment of non-financial assets**

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

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

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

**Revenue**

The Company generates revenue from operator fees on some of the mineral projects. Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred, when the fee is fixed or determinable and when collection is reasonably assured. Amounts received from customers in advance of revenue recognition are deferred as deferred revenue liabilities. The Company presents revenues net of taxes collected from customers at the time of sale to be remitted to governmental authorities, including sales taxes. No element of financing is deemed present as the sales are made with credit terms standard for the market.

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

**Share capital**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, restricted share units, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

**Share-based compensation**

The Company operates an employee stock option plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of forfeited and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration based on the nature of the item.

The Company may grant Restricted Share Units ("RSUs") to directors, officers, employees, and consultants. Each RSU represents an entitlement to one common share of the Company, upon vesting. RSUs are redeemable for the issue of common shares at prevailing market prices on the date of the RSU grant, or into cash, at the option of the holder, on the date of exercise.

RSUs can be settled in cash. The fair value of the estimated number of RSUs awarded that will eventually vest, determined as of the date of grant, is recognized as share-based compensation expense in profit or loss over the vesting period, with a corresponding amount recorded as a liability. Until the liability is settled, the fair value of the RSUs is re-measured at the end of each reporting period and at the date of settlement, with changes in fair value recognized as share-based compensation expense or recovery over the vesting period.

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

**Earnings (loss) per share**

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

**Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

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

**Income taxes**

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to 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 by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income and deferred tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Standards issued or amended but not yet effective**

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2020 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statements.

**3. RECEIVABLES**

	December 31, 2020	December 31, 2019
Accounts receivable	\$ 62,898	\$ 9,197
Sales tax receivable	960,933	380,968
	<b>1,023,831</b>	<b>390,165</b>

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**4. REVERSE ACQUISITION**

Prior to the Company's RTO transaction with KNA, KNA had held an interest in common shares of Northway as described below.

On July 31, 2018, KNA acquired 4,000,000 pre-Consolidation shares of Northway at a price of \$0.001 per share for a total subscription price of \$4,000 representing a 100% interest in Northway. As at December 31, 2018, KNA held a 57% interest in Northway and had control over Northway (Note 14).

On January 25, 2019, KNA settled an amount receivable of \$100,000 from Northway for 2,000,000 pre-Consolidation units at a price of \$0.05 per unit for a total settlement value of \$100,000. Each unit comprised of one common share and one warrant exercisable into one common share at an exercise price of \$0.10 with an expiry of 5 years from the date of issue. KNA's interest in Northway increased from 57% to 67% and KNA maintained control of Northway.

On March 19, 2019, Northway issued additional shares from a private placement that diluted KNA's ownership of Northway from 67% to 38% which lead to a loss of control of Northway and deconsolidation of Northway from KNA's financial statements. KNA recognized a gain of \$282,944 on the deconsolidation of Northway. KNA still retained significant influence over Northway, resulting in Northway being recorded on KNA's financial statements as an investment in associate.

The initial recognition of the investment in associate was accounted for at fair value using the share price from Northway's private placement in March 19, 2019, multiplied by the number of shares that KNA's held of Northway at that time. The gain on deconsolidation was calculated as a result of recognizing the net assets of Northway, recognizing the non-controlling interest and recognizing the fair value of the investment in associate.

On August 22, 2019, Northway completed an initial public offering that further diluted KNA's ownership in Northway to 17%. KNA determined they no longer had significant influence and classified the investment in Northway at fair value through profit and loss ("FVTPL").

The calculation for the investment in associate is as follows:

	<b>Amount</b>
Share price of Northway as at March 19, 2019	\$ 0.05
Number of Northway shares owned by KNA as at March 19, 2019	6,000,000
	<u>\$ 300,000</u>
Fair value of Northway warrants as at March 19, 2019	\$ 0.03
Number of Northway warrants owned by KNA as at March 19, 2019	2,000,000
	<u>\$ 64,007</u>
<b>Initial recognition of the investment in associate on March 19, 2019</b>	<b><u>\$ 364,007</u></b>

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**4. REVERSE ACQUISITION (continued)**

The following table illustrates the summarized financial information of KNA's investment in Northway, including the share of loss from an associate from March 20, 2019 to August 22, 2019.

	<b>August 22, 2019</b>
Current assets	\$ 233,201
Non-current assets	342,123
Current liabilities	(72,406)
Net assets	502,918
KNA's ownership %	37.50%
<b>KNA's share of net assets</b>	<b>\$ 188,594</b>
	<b>March 19, 2019 to August 22, 2019</b>
Loss for the period	\$ (75,779)
KNA's ownership %	37.50%
<b>Total KNA's share of net loss</b>	<b>\$ (28,417)</b>

On August 22, 2019, KNA determined it no longer had significant influence over Northway and classified the investment at FVTPL.

	<b>August 22, 2019</b>
Net investment, opening	\$ 364,007
Equity loss from March 19, 2019 to August 22, 2019	(28,417)
De-recognition from investment in associate	(335,590)
<b>Net investment, closing</b>	<b>\$ -</b>
	<b>Amount</b>
Share price of Northway as at August 22, 2019	\$ 0.10
Number of Northway shares owned by KNA as at August 22, 2019	6,000,000
	\$ 600,000
Fair value of Northway warrants as at August 22, 2019	\$ 0.07
Number of Northway warrants owned by KNA as at August 22, 2019	2,000,000
	\$ 143,169
<b>Initial recognition of the investment at fair value as at August 22, 2019</b>	<b>\$ 743,169</b>

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**4. REVERSE ACQUISITION (continued)**

The warrants were valued using the Black-Scholes option pricing model, with the following weighted average assumptions:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Risk-free interest rate	0.25%	1.68
Expected life of warrants	3.3 years	4 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%

The following table is a reconciliation of the investment in Northway:

	<b>Amount</b>
De-recognition from investment in associate	\$ 335,590
Change in fair value on initial recognition of investment at fair value	407,579
Initial recognition of investment at fair market value as at August 22, 2019	743,169
Change in fair value as at December 31, 2019	(157,208)
<b>Investment in Northway as at December 31, 2019</b>	<b>585,961</b>
Change in fair value	449,417
Cancellation of Northway shares and warrants	<b>(1,035,378)</b>
<b>Investment in Northway as at December 31, 2020</b>	<b>\$ -</b>

As at December 31, 2019, KNA held 6,000,000 pre-Consolidation shares and 2,000,000 pre-Consolidation warrants of Northway with a fair market value of \$480,000 and 105,961, respectively. From August 22, 2019 to December 31, 2019, the Company recorded a net change in fair value of investments of \$250,371 in relation to these shares.

Prior to the completion of the RTO, KNA continued to hold 6,000,000 pre-Consolidation shares and 2,000,000 pre-Consolidation warrants of Northway with a fair market value of \$840,000 (2019 - \$480,000) and \$195,378 (2019 - \$105,961), respectively. During the year ended December 31, 2020, the Company recorded a net change in fair value of investments of \$449,417.

As described in Note 1, on December 31, 2020, pursuant to the RTO between Northway and KNA, Northway acquired all of the issued and outstanding shares of KNA. Prior to completing the Transaction, Northway consolidated its share capital on the basis of one post-consolidation common share of Northway (each, a "Northway Share") for every seven common shares of Northway existing immediately before the Consolidation. The shareholders of KNA then exchanged their common shares of KNA for post-Consolidation Northway Shares on a one common share of KNA for two post-Consolidation Northway Shares. Likewise, all outstanding stock options and restricted share units of KNA were converted for stock options and restricted share units of Northway on the same basis. In addition, all Northway shares and warrants held by KNA prior to the RTO were cancelled without any repayment of capital. As a result, the Company recorded a loss on cancellation of shares and warrants of \$1,035,378.



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**4. REVERSE ACQUISITION (continued)**

As a result, Northway issued 30,418,002 common shares to the former shareholders of KNA. Prior to the RTO, KNA had issued 10,000,000 subscription receipts for proceeds of \$10,000,000, which were held in escrow and released upon the completion of the RTO. Upon completion of the RTO, the Company issued 10,000,000 post-Consolidation common shares on the exercise of the subscription receipts.

The RTO constituted a reverse acquisition of Northway and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, *Share-based Payment* and IFRS 3, *Business Combinations*. As Northway did not qualify as a business according to the definition in IFRS 3, *Business Combination*, this reverse acquisition did not constitute a business combination; rather the transaction was accounted for as an acquisition by KNA of the net assets of Northway and its public listing. The fair value of the consideration paid (based on the fair value of the Northway shares, stock options and warrants just prior to the RTO) less the Northway net assets acquired, has been recognized as a listing expense in profit or loss for the year ended December 31, 2020.

For accounting purposes, KNA was treated as the accounting parent company (legal subsidiary) and Northway had been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As KNA was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. The assets, liabilities and results of operations of Northway are included in these consolidated financial statements from the date of the acquisition on December 31, 2020.

The following represents the fair value of Northway net assets acquired as at December 31, 2020 as a result of the RTO:

	<b>Total</b>
	<b>\$</b>
<b>Cost of acquisition:</b>	
Shares retained by Northway shareholders - 5,055,135 shares at \$1	5,055,135
Fair value of Northway warrants retained	1,228,201
Fair value of Northway stock options retained	196,983
	<u>6,480,319</u>
<b>Allocated as follows:</b>	
Cash	532,057
Receivables	8,291
Prepaid expenses	45,781
Exploration and evaluation assets	1,651,084
Accounts payable and accrued liabilities	(172,826)
	<u>2,064,387</u>
Allocated to listing expense	4,415,932
	<u><b>6,480,319</b></u>

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**5. INVESTMENTS**

**Kingfisher Metals Ltd. (“Kingfisher”)**

In April 2020, the Company acquired 500,000 shares of Kingfisher at a value of \$0.10 per share in exchange for certain mineral claims owned by the Company that were previously expensed. The Company recognized a gain of \$50,000.

In June 2020, the Company acquired 1,000,000 shares of Kingfisher at a value of \$0.10 per share in exchange for certain mineral claims owned by the Company. Per the agreement, the Company will receive additional shares with a value of \$100,000 upon the date of the first anniversary date Kingfisher commences trading on the TSX-V (Note 6).

As at December 31, 2020, the Company valued these shares at \$150,000 (2019 - \$nil).

**Urbangold Minerals Inc. (“Urbangold”)**

In June 2020, the Company acquired 1,200,000 units of Urbangold at a price of \$0.125 per share for a total price of \$150,000. Each unit consisted of one share and one warrant with each warrant exercisable into one common share at an exercise price of \$0.20 per share for 3 years.

The warrants were valued using the Black-Scholes option pricing model, with the following weighted average assumptions:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Risk-free interest rate	0.23%	-
Dividend yield	Nil	Nil
Expected life	2.4 years	-
Volatility	128%	-

As at December 31, 2020, the Company recorded a net change in fair value of investments of \$331,317 for a total fair market value of \$282,000 (2019 - \$nil) and \$199,317 (2019 - \$nil) in relation to these shares and warrants, respectively.

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**6. EXPLORATION AND EVALUATION ASSETS**

The Company's costs and expenditures for the years related to exploration and evaluation of mineral properties are as follows:

	Quebec									
	Chicobi	Frotet	James Bay	Lac Fagnant	Fox River	Kukames	Road King	Chebistuan	O'Sullivan	Miniac
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>85,998</b>	<b>196,014</b>	<b>83,516</b>	<b>11,828</b>	-	-	-	-	-	-
Exploration expenditures:										
Assays	104,877	295,025	-	-	-	5,493	4,136	-	-	-
Staking and claim maintenance	5,220	12,920	-	-	5,877	12,684	14,068	145,622	-	-
Consulting	463,894	765,254	-	-	-	2,753	-	-	-	-
Drilling	733,267	-	-	-	-	-	-	-	-	-
Geological	8,800	368,820	-	1,328	-	-	-	-	-	-
Site development	6,284	-	-	-	-	-	-	-	-	-
Supplies	88,784	50,263	-	-	-	-	-	-	-	-
Travel and accommodations	92,148	149,724	-	-	-	-	-	-	-	-
	1,503,274	1,642,006	-	1,328	5,877	20,930	18,204	145,622	-	-
Contribution received from optionees	(1,494,975)	(1,642,006)	-	-	-	-	-	-	-	-
Option payment received	-	-	-	-	-	-	-	-	-	-
Elimination of subsidiary	-	-	-	-	-	-	-	-	-	-
Impairment	-	-	(83,516)	-	(5,877)	(20,930)	(18,204)	-	-	-
<b>Balance, December 31, 2019</b>	<b>94,297</b>	<b>196,014</b>	<b>-</b>	<b>13,156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145,622</b>	<b>-</b>	<b>-</b>

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

	Quebec		Total Quebec	British Columbia	Total Canada	Alaska			Total USA	Total
	Hunter	Talbot Lake		Thibert		Tanacross	Healy	Napoleon		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Balance, December 31, 2018</b>	-	-	<b>377,356</b>	-	<b>377,356</b>	<b>612,348</b>	<b>178,906</b>	-	<b>791,254</b>	<b>1,168,610</b>
Exploration expenses	-	-								
Assays			409,531	703	410,234	425,638	-	-	425,638	835,872
Staking and claim maintenance			196,391	21,856	218,247	161,618	-	-	161,618	379,865
Consulting	-	-	1,231,901	16,263	1,248,164	671,734	-	-	671,734	1,919,898
Drilling	-	-	733,267	-	733,267	1,942,257	-	-	1,942,257	2,675,524
Geological	-	-	378,948	33,441	412,389	559,497	-	-	559,497	971,886
Site development	-	-	6,284	-	6,284	14,082	-	-	14,082	20,366
Supplies	-	-	139,047	-	139,047	848,280	-	-	848,280	987,327
Travel and accommodation	-	-	241,872	-	241,872	1,327,160	-	-	1,327,160	1,569,032
	-	-	3,337,241	72,263	3,409,504	5,950,266	-	-	5,950,266	9,359,770
Contribution received from optionees	-	-	(3,136,981)	-	(3,136,981)	(5,950,266)	-	-	(5,950,266)	(9,087,247)
Option payment received	-	-	-	-	-	(66,015)	-	-	(66,015)	(66,015)
Elimination of subsidiary Impairment	-	-	-	-	-	-	(178,906)	-	(178,906)	(178,906)
	-	-	(128,527)	-	(128,527)	-	-	-	-	(128,527)
<b>Balance, December 31, 2019</b>	-	-	<b>449,089</b>	<b>72,263</b>	<b>521,352</b>	<b>546,333</b>	-	-	<b>546,333</b>	<b>1,067,685</b>

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

	Quebec									
	Chicobi	Frotet	James Bay	Lac Fagnant	Fox River	Kukames	Road King	Chebistuan	O'Sullivan	Miniac
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, December 31, 2019</b>	<b>94,297</b>	<b>196,014</b>	-	<b>13,156</b>	-	-	-	<b>145,622</b>	-	-
Acquisition costs	-	100,000	-	-	-	-	-	80,800	-	-
Exploration expenditures:										
Assays	229,951	355,967	-	410	-	-	-	240,078	58,749	160,480
Staking and claim maintenance	9,852	3,098	-	3,454	-	-	-	63,992	54,788	-
Consulting	639,836	917,072	-	227	-	-	-	338,399	151,946	252,611
Drilling	824,314	1,035,578	-	-	-	-	-	5,572	-	281,729
Geological	-	348,987	-	720	-	-	-	45,784	32,750	-
Site development	20,530	146,654	-	-	-	-	-	-	-	32,382
Supplies	174,493	147,649	-	-	-	-	-	30,666	25,193	72,656
Travel and accommodation	60,113	752,771	-	-	-	-	-	49,625	28,608	20,206
Contribution received from optionees	1,959,089	3,807,776	-	4,811	-	-	-	854,916	352,034	820,064
Refundable mining tax credit	(1,963,461)	(3,807,777)	-	-	-	-	-	(700,000)	-	(810,814)
Disposition of mineral property	(7,819)	(13,109)	-	-	-	-	-	-	-	-
Reallocation of excess funding on termination of agreement	-	-	-	-	-	-	-	-	-	-
<b>Balance, December 31, 2020</b>	<b>82,106</b>	<b>182,904</b>	-	<b>17,967</b>	-	-	-	<b>300,538</b>	<b>352,034</b>	<b>9,250</b>

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

	Quebec		Total Quebec	British Columbia	Total Canada	Alaska			Total USA	Total
	Hunter	Talbot Lake		Thibert		Tanacross	Healy	Napoleon		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Balance, December 31, 2019</b>	-	-	<b>449,089</b>	<b>72,263</b>	<b>521,352</b>	<b>546,333</b>	-	-	<b>546,333</b>	<b>1,067,685</b>
Acquisition costs	10,000	-	190,800	-	190,800	-	1,483,436	167,648	1,651,084	1,841,884
Exploration expenses										
Assays	-	-	1,045,635	22	1,045,657	43,772	-	-	43,772	1,089,429
Staking and claim maintenance	41,070	-	176,254	-	176,254	120,809	-	-	120,809	297,063
Consulting	3,033	1,850	2,304,974	-	2,304,974	175,747	-	-	175,747	2,480,721
Drilling	-	-	2,147,193	-	2,147,193	274,354	-	-	274,354	2,421,547
Geological	-	-	428,241	-	428,241	56,385	-	-	56,385	484,626
Site development	-	-	199,566	-	199,566	3,192	-	-	3,192	202,758
Supplies	-	-	450,657	-	450,657	195,680	-	-	195,680	646,337
Travel and accommodation	-	-	911,323	-	911,324	68,469	-	-	68,469	979,792
Contribution received from optionees	54,103	1,850	7,854,643	22	7,854,665	938,408	1,483,436	167,648	2,589,492	10,444,157
Refundable mining tax credit	-	-	(7,282,052)	-	(7,282,052)	(804,467)	-	-	(804,467)	(8,086,519)
Disposition of mineral property	-	-	(20,928)	-	(20,928)	-	-	-	-	(20,928)
Reallocation of excess funding on termination of agreement	-	-	-	(72,285)	(72,285)	-	-	-	-	(72,285)
	-	-	-	-	-	(55,607)	-	-	(55,607)	(55,607)
<b>Balance, December 31, 2020</b>	<b>54,103</b>	<b>1,850</b>	<b>1,000,752</b>	<b>-</b>	<b>1,000,752</b>	<b>624,667</b>	<b>1,483,436</b>	<b>167,648</b>	<b>2,275,751</b>	<b>3,276,503</b>

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

**Chicobi Property, Quebec, Canada**

In February 2019, the Company entered into an earn in and joint venture exploration agreement with Sumitomo Metal Mining Canada Limited ("SMCL"). Under the agreement, SMCL can earn up to a 70% interest in the Chicobi Property by making exploration expenditures as follows:

- a) to acquire an undivided 51% interest, SMCL must fund an aggregate of \$4.9 million in expenditures on the Chicobi Property on or before May 31, 2022.
- b) to acquire an additional undivided 19% interest (for a total undivided interest of 70%), SMCL must, within 90 days following the completion of acquiring 51% interest, notify the Company that they will fund an aggregate of an additional \$10 million in expenditures on the property within the three year time period.

If the participating interest in the joint venture property of any party is diluted to 10% or less whether by reason of failure to complete funding contribution requirements or default, the participating interest will be deemed to have been automatically converted to a 2% net smelter return royalty in favor of the other party in respect of minerals produced from the property. If the party whose participating interest is forfeited, they will be deemed to have abandoned the property and the full benefit, ownership and title of the property shall be deemed to have passed to the other party for the payment of good and valuable consideration.

In accordance with the agreement, the Company is the operator and is entitled to charge SMCL operator fees based on costs incurred in account of exploration on the Chicobi property until SMCL acquires the first 51% interest in the property.

During the year ended December 31, 2020, SMCL funded \$1,950,454 (2019 - \$1,693,554) in exploration expenditures of which \$1,963,461 (2019 - \$1,494,975) was spent on exploration and evaluation assets. The excess funding received at December 31, 2020 of \$185,572 (2019 - \$198,579) has been allocated to advances received.

**Frotet Property, Quebec, Canada**

The property is located north of Chibougamau, Quebec and was acquired by nominal staking costs and a payment of \$6,000 to an arm's length vendor.

On April 17, 2018, the Company entered in an earn in and joint venture exploration agreement with SMCL. Under the agreement, SMCL can earn up to an 80% interest in the Frotet Property by making exploration expenditures as follows:

- a) to acquire an undivided 65% interest, SMCL must fund an aggregate of \$4.3 million in expenditures on the Frotet Property on or before April 17, 2021 (funded).
- b) to acquire an additional undivided 15% interest (for a total undivided interest of 80%), SMCL must, within 90 days following the completion of acquiring 65% interest, notify the Company that they will fund an aggregate of an additional \$4 million in expenditures on the property within the one year time period. SMCL notified the Company and will fund an aggregate of an additional \$4 million in expenditures on the property

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

**Frotet Property, Quebec, Canada (continued)**

If the participating interest in the joint venture property of any party is diluted to 10% or less whether by reason of failure to complete funding contribution requirements or default, the participating interest will be deemed to have been automatically converted to a 2% net smelter return royalty in favor of the other party in respect of minerals produced from the property. If the party whose participating interest is forfeited, they will be deemed to have abandoned the property and the full benefit, ownership and title of the property shall be deemed to have passed to the other party for the payment of good and valuable consideration.

In accordance with the agreement, the Company is the operator and is entitled to charge SMCL operator fees based on costs incurred in account of exploration on the Frotet Property.

In April 2020, the Company entered into a purchase agreement with O3 Mining Inc. ("O3") to purchase mineral claims in Quebec for a total purchase price of \$900,000. Under the agreement, the payment terms are as follows:

- a) \$100,000 upon execution of agreement (paid); \$150,000 on the first year anniversary (paid); \$250,000 on the second year anniversary; and \$400,000 on the third year anniversary.
- b) When the Company acquires 100% interest in the property and it goes into commercial production, O3 will be entitled to receive a 2.0% net smelter return royalty with the right to purchase one half of royalty upon the payment of \$1,000,000.

In April 2020, SMCL and the Company signed a side agreement that the purchase and any legal costs associated with the acquisition of the mineral claims from O3 would be included in the earn in agreement.

During the year ended December 31, 2020, SMCL funded \$4,573,660 (2019 - \$1,892,954) in exploration expenditures of which \$3,807,777 (2019 - \$1,642,006) was spent on exploration and evaluation assets. The excess funding received at December 31, 2020 of \$1,073,830 (2019 - \$307,947) has been allocated to advances received. As at December 31, 2020, SMCL has earned a 65% interest in the Frotet Property.

**James Bay Property, Quebec, Canada**

In 2017, the Company staked claims covering multiple project areas within the James Bay Region of Quebec. This project represents early stage exploration opportunities.

During the year ended December 31, 2019, the Company impaired the James Bay project by \$83,516 as management did not have further plans to explore the property, as such, it has been written down to \$nil.



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

**Lac Fagnant Property, Quebec, Canada**

On January 16, 2018, and subsequently amended in July 2018, the Company entered into an agreement with Harfang Exploration Inc. (“Harfang”) and Urbangold for exploration on certain mineral rights comprising certain mining claims on the property located in the Nunavik territory, east of Kuujuarapik on the east coast of Hudson Bay, Quebec.

Under the agreement, the participating interest is as follows: the Company – 40%, Harfang – 40%, and UrbanGold – 20%. Harfang is the operator, which can charge operator fees based on costs incurred in account for exploration expenditures on the Lac Fagnant Property, as long as its participating interest is equal to or greater than the other participants’ participating interest.

**Fox River Property, Quebec, Canada**

In 2019, the Company staked claims within the Fox River Region of Quebec. During the year ended December 31, 2019, the Company impaired the Fox River project by \$5,877 as management did not have further plans to explore the property, as such, it has been written down to \$nil.

**Kukames Property, Quebec, Canada**

In 2019, the Company staked claims within the Kukames Region of Quebec. During the year ended December 31, 2019, the Company impaired the Kukames project by \$20,930 as management did not have further plans to explore the property, as such, it has been written down to \$nil.

**Road King Property, Quebec, Canada**

In 2019, the Company staked claims within the Road King Region of Quebec. During the year ended December 31, 2019, the Company impaired the Road King project by \$18,204 as management did not have further plans to explore the property, as such, it has been written down to \$nil.

**Chebistuan Property, Quebec, Canada**

In 2019, the Company staked claims within the Treve Region of Quebec.

During the year ended December 31, 2020, the Company acquired certain mineral claims for a total price of \$10,800 from three individuals.

In July 2020, the Company entered into an Option Agreement with G.L. Geoservice Inc. and another individual (“Optionors”) for a property located in Quebec. Under the agreement, the Company will be the operator and has the option to acquire 100% interest in the property by making payments and exploration expenditures as follows:

- i. The Company must pay the following cash payments of \$50,000 upon signing of the Agreement (paid); \$75,000 on or before the 1<sup>st</sup> anniversary, \$100,000 on or before the 2<sup>nd</sup> anniversary, \$125,000 on or before the 3<sup>rd</sup> anniversary and \$250,000 on or before the 4<sup>th</sup> anniversary; and
- ii. The Company must carry out exploration work on the property incurring aggregate expenditures of \$1,000,000 on or before the 4<sup>th</sup> anniversary.

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

**Chebistuan Property, Quebec, Canada (continued)**

If and when the option is exercised, the Company will acquire 100% interest in the property and will grant the Optionors a 1.0% net smelter return royalty with the right to purchase one half of royalty upon the payment of \$1,000,000.

In July 2020, the Company entered into a purchase and royalty agreement with Vanstar Mining Resources Inc. ("Vanstar"). Under the agreement, the Company agreed to purchase mineral claims located in Quebec from Vanstar in exchange for:

- i. Payment of \$20,000 immediately upon signing the agreement to Vanstar (paid); and
- ii. In the event of commercial production with respect to these mineral claims, Vanstar is entitled to a 2.0% on net smelter return royalty. Half of the royalty (1.0% of net smelter income) can be redeemed at the Company's discretion for consideration of \$1,000,000 payable in cash. The Company holds the right of first refusal over this same 1.0% of royalty owned by Vanstar.

In July 2020, the Company entered into an exploration with venture option agreement with Newmont Corporation ("Newmont"). Under the agreement, the Company is the operator, which can charge operator fees based on costs incurred on account of exploration expenditures, until the completion of Newmont acquiring the 51% interest in the property. In order to acquire the 51% interest, Newmont must:

- i. advance the Company a minimum of \$700,000 in qualifying expenditures to complete the geochemical sampling work;
- ii. pay the Company an annual cash payment of \$50,000 on the first and second anniversary of completion and approval of the geochemical sampling work; and advance the Company an additional \$2,000,000 in qualifying expenditures.

During the year ended December 31, 2020, Newmont funded \$700,000 in exploration expenditures of which the entire amount was spent on exploration and evaluation assets.

**O'Sullivan Property, Quebec, Canada**

During the year ended December 31, 2020, the Company staked claims within the Miquelon Region of Quebec.

**Miniac Property, Quebec, Canada**

During the year ended December 31, 2020 the Company staked claims within the Miniac Region of Quebec.

In August 2020, the Company entered into a purchase and sale agreement with 1247667 BC Ltd. ("1247667 BC") to sell certain mineral claims in Quebec in exchange for a 15% interest of 1247667 BC and a net smelter return royalty of 2%. Prior to closing of the transaction, 1247667 BC is required to raise a minimum of \$1,000,000 to fund exploration expenditures on the property.

The Company is currently acting as the operator and is entitled to charge 1247667 BC operator fees based on costs incurred in account of exploration on the Miniac Property.

During the year ended December 31, 2020, 1247667 BC funded \$1,000,000 (2019 - \$nil) in exploration expenditures of which \$810,814 (2019 - \$nil) was spent on exploration and evaluation assets. The excess funding received at December 31, 2020 of \$189,186 (2019 - \$nil) has been allocated to advances received.

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

**Hunter Property, Quebec, Canada**

In August 2020, the Company entered into a sale and transfer agreement to purchase 100% interest in certain mineral titles located in Quebec from two individuals for a total purchase price of \$10,000. The sale and transfer agreement subjects to a net smelter return royalty of 1.5%.

**Talbot Lake Property, Quebec, Canada**

During the year ended December 31, 2020 the Company staked claims located in Quebec.

**Thibert Property, British Columbia, Canada**

In 2019, the Company staked claims within the Thibert Region of British Columbia.

During the year ended December 31, 2020, the Company sold the mineral claims to Kingfisher in exchange the Company received:

- a) 1,000,000 shares of Kingfisher valued at \$0.10 per share for a total value of \$100,000; and
- b) additional shares with a value of \$100,000 upon the first anniversary date Kingfisher commences trading on the TSX Venture exchange.

As a result, the Company recorded a gain on sale of mineral claims of \$27,715.

**Tanacross Property, Alaska, USA**

The property is located northeast of Tok, Alaska and was acquired by staking and a payment of \$20,000 to an arm's length vendor.

On August 1, 2018, the Company with its wholly owned subsidiaries, 1118892 and KUSA, signed a farm-out agreement with Freeport-McMoRan Mineral Properties Inc. ("FMMP"). Under the agreement FMMP can earn up to an 80% interest in the Tanacross Property by making payments totalling US\$250,000 and exploration expenditures totalling US\$5,000,000 by September 30, 2021.

In accordance with the agreement, KUSA is the operator and is entitled to charge FMMP operator fees based on costs incurred on account of exploration expenditures on the Tanacross Property until FMMP acquires the first 51% interest in the property.

During the year ended December 31, 2019, FMMP funded \$5,842,914 in exploration expenditures of which \$5,950,266 was spent on exploration and evaluation assets. The excess funding received at December 31, 2019 of \$81,489 has been allocated to advances received.

During the year ended December 31, 2020, FMMP funded \$778,585 in exploration expenditures of which \$804,467 was spent on exploration and evaluation assets.

In June 2020, FMMP has also given notice to terminate the farm-out agreement. Due to the advanced stage of the earn in, the Company and FMMP amended the farm-out agreement for FMMP to receive a 1% net smelter royalty in the property and in exchange the Company received a payment of US\$50,260 in November 2020. The excess funding received of \$55,607 has been allocated to the Company.

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

**Healy Property, Alaska, USA**

As a result of the RTO, the Company acquired the Healy Property located in Fairbanks Recording District, Alaska, USA. Pursuant to the option agreement with Newmont, the Company is entitled to acquire a 70% interest in the Healy Property upon incurring aggregate expenditures of US\$4,000,000 on the property during the phase 1 period of the Contribution.

The following is a summary of the Contribution earn-in requirements:

<b>Period ("Phase 1 Period")</b>	<b>Exploration Requirement US\$</b>	<b>Aggregate Exploration Requirement US\$</b>
On or before November 30, 2018	(incurred) 140,000	140,000
On or before December 31, 2020	(incurred) 360,000	500,000
On or before December 31, 2021	1,500,000	2,000,000
On or before December 31, 2022	2,000,000	4,000,000

Pursuant to the option agreement, the Company is required to fund US\$140,000 by November 30, 2018 (incurred) and US\$360,000 (incurred) by December 31, 2020, totaling US\$500,000 ("Mandatory Phase 1 Expenditures"). The Company may terminate the Contribution at any time, in its discretion, subject to satisfying any accrued obligations or liabilities including Mandatory Phase 1 Expenditures, as required.

Upon completing the Phase 1 earn-in requirement on the Healy Property, the value of the Company's initial contribution shall be deemed to be US\$4,000,000 (70% interest) and the value of optionor's initial contribution shall be deemed to be US\$1,715,000 (30% interest). From and after the date on which the Company completes the Phase 1 earn-in requirement on the Healy Property, the Company and the optionor shall fund an adopted program on a pro-rata basis in accordance with their respective participating interests.

**Napoleon Property, Alaska, USA**

As a result of the RTO, the Company acquired a 100% right, title and interest in mining claims located in Fortymile District, Alaska, USA (the "Napoleon Property").

The Napoleon Property is subject to an annual advance royalty payment of US\$1,000 and net smelter returns royalties of 0.5% and 1%, respectively, on the Napoleon Property and areas of interest. One-half of the 0.5% net smelter returns royalty may be acquired by the Company at any time, for a one-time payment of US\$500,000 and the 1% net smelter returns royalty may be acquired by the Company at any time, for a one-time payment of US\$1,000,000.

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**7. EQUIPMENT**

	Computer equipment	Furniture & equipment	Total
	\$	\$	\$
<b>Cost:</b>			
At December 31, 2018	2,586	-	2,586
Additions	-	3,279	3,279
At December 31, 2019	2,586	3,279	5,865
Additions	10,150	5,870	16,020
At December 31, 2020	12,736	9,149	21,885
<b>Depreciation:</b>			
At December 31, 2018	711	-	711
Charge for the year	1,031	328	1,359
At December 31, 2019	1,742	328	2,070
Charge for the year	3,255	1,177	4,432
At December 31, 2020	4,997	1,505	6,502
<b>Net book value:</b>			
At December 31, 2019	844	2,951	3,795
<b>At December 31, 2020</b>	<b>7,739</b>	<b>7,644</b>	<b>15,383</b>

**8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

Commencing June 2019, the Company entered into a three-year term lease agreement for office space in Vancouver, British Columbia. In January 2020, the Company entered into a thirty month lease agreement for office space in Vancouver, British Columbia.

**Right-of-Use Assets**

	Office leases
	\$
<b>Cost:</b>	
Balance, December 31, 2018	-
Additions	59,170
Balance, December 31, 2019	59,170
Additions	18,937
Balance, December 31, 2020	78,107
<b>Depreciation:</b>	
Balance, December 31, 2018	-
Charge for the year	11,505
Balance, December 31, 2019	11,505
Charge for the year	27,560
Balance, December 31, 2020	39,065
<b>Net book value:</b>	
Balance, December 31, 2019	47,665
<b>Balance, December 31, 2020</b>	<b>39,042</b>

Depreciation of right-of-use asset is calculated using the straight-line method over the remaining lease term.

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**8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

**Lease Liabilities**

	<b>\$</b>
Lease liabilities recognized as of June 1, 2019	59,170
Lease payments made	(12,789)
Interest expense on lease liabilities	2,233
	48,614
Lease liabilities recognition as of January 1, 2020	18,937
Lease payments made	(30,464)
Interest expense on lease liabilities	3,887
	40,974
Less: current portion	(28,499)
<b>At December 31, 2020</b>	<b>12,475</b>

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease is as follows:

January 1, 2021 to December 31, 2021	\$ 30,464
January 1, 2022 to May 31, 2022	\$ 12,693

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Accounts payable	321,551	167,047
Accrued liabilities	741,299	41,210
Payroll taxes payable	46,370	7,285
Refundable mining tax credit payable to SMCL	1,253,360	-
	<b>2,362,580</b>	<b>215,542</b>

**10. GOVERNMENT LOANS PAYABLE**

In May 2020, the Company and one of its subsidiaries applied and received from the federal government of Canada two loans of \$40,000 each under the Canada Emergency Business Account (“CEBA”) program. If each loan is fully repaid by December 31, 2022, \$10,000 of each loan will be forgiven. If each loan is not fully paid back to the federal government by December 31, 2022, each loan will incur 5% interest during the remaining term of the loans ending on December 31, 2025, the date by which the loans must be fully repaid. The Company intends to pay back the CEBA loans by December 2022.

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## **11. SHARE CAPITAL AND RESERVES**

### **Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value.

### **Issued share capital**

During the year ended December 31, 2019:

- a) The Company closed a private placement by issuing 2,140,000 common shares at a price of \$0.125 per share for gross proceeds of \$535,000. In connection with this private placement the Company incurred share issue costs of \$6,671.

During the year ended December 31, 2020:

- a) The Company closed a non-brokered private placement financing of 2,518,000 common shares at a price of \$0.25 per share for gross proceeds of \$629,500. The Company paid finders' fees of \$4,515 in connection with the private placement.
- b) The Company closed a non-brokered private placement financing of 1,560,000 common shares at a price of \$0.25 per share for gross proceeds of \$390,000. The Company incurred expenses of \$7,948 related to the financing.
- c) The Company issued 200,000 common shares in connection with the exercise of 200,000 stock options with an exercise price of \$0.075 for a total proceeds of \$15,000.
- d) As part of the RTO, the 5,055,135 shares retained by the Northway shareholders at December 31, 2020 were valued at \$5,055,135 (Note 4).
- e) Prior to the RTO, the Company had issued 10,000,000 subscription receipts for proceeds of \$10,000,000, which were held in escrow and released upon the completion of the RTO. Upon completion of the RTO, the Company issued 10,000,000 common shares on the exercise of the subscription receipts. The Company incurred \$550,092 in cash commissions and expenses.
- f) The Company issued 100,000 common shares at a value of \$1.00 per share in connection to the vesting of RSUs.

As at December 31, 2020, the Company has 19,717,145 shares subject to escrow pursuant to the requirements of the TSX-V, which will be released through December 2023.

### **Stock options**

The Company's incentive plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 7,594,628 shares at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

In February 2019, the exercise period of 3,200,000 previously granted options was extended by two years.

In September 2019, the Company granted 200,000 stock options with a total fair value of \$37,310 to a consultant of the Company and 300,000 stock options with a total fair value of \$55,912 to an employee of the Company. All options granted are exercisable at a price of \$0.25 per share for a period of five years, vesting as follows: 1/3 on the first anniversary, 1/3 on the second anniversary and 1/3 on the third anniversary.

During the year ended December 31, 2019, the Company recognized share-based compensation of \$109,754.

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**11. SHARE CAPITAL AND RESERVES (continued)**

**Stock options (continued)**

In March 2020, the Company granted 3,300,000 stock options with a total value of \$613,327 to directors, employees and consultants of the Company. All options granted are exercisable at a price of \$0.25 per share for a period of five years, vesting as follows: 1/3 on the first anniversary, 1/3 on the second anniversary and 1/3 on the third anniversary.

During the year ended December 31, 2020, the Company recognized share-based compensation of \$390,296 (2019 - \$109,754).

As part of the RTO, the 249,997 Northway stock options at December 31, 2020 were valued at \$196,983 calculated using the Black-Scholes option pricing model assuming a risk free rate of 0.25%, a dividend yield of 0%, an expected life of 3.64 years and volatility of 125% (Note 4).

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the stock options granted:

	<b>For the year months ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Risk-free interest rate	1.07%	1.43%
Dividend yield	nil	Nil
Expected life	5 years	5 years
Volatility	100%	100%
Weighted average fair value per option granted	\$0.19	\$0.19

Share option transactions are summarized as follows:

	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
		<b>\$</b>
Balance, December 31, 2018	3,200,000	0.115
Granted	500,000	0.25
Balance, December 31, 2019	3,700,000	0.13
Granted	3,300,000	0.25
Exercised	(200,000)	0.075
Northway options pursuant to RTO	249,997	0.70
<b>Balance, December 31, 2020</b>	<b>7,049,997</b>	<b>0.21</b>



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**11. SHARE CAPITAL AND RESERVES (continued)**

**Stock options (continued)**

A summary of the stock options outstanding and exercisable at December 31, 2020 is as follows:

<b>Number of Stock Options Outstanding</b>	<b>Number of Stock Options Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
		\$	
1,200,000	1,200,000	0.075	October 19, 2023
249,997	187,497	0.70	August 22, 2024
200,000	200,000	0.075	October 2, 2024
800,000	800,000	0.15	December 1, 2024
200,000	66,666	0.25	September 15, 2024
300,000	100,000	0.25	September 27, 2024
800,000	533,333	0.15	July 1, 2025
3,300,000	-	0.25	March 2, 2025
<b>7,049,997</b>	<b>3,087,496</b>		

As at December 31, 2020, the Company has 2,860,000 options subject to escrow pursuant to the requirements of the TSX-V, which will be released through December 2023.

**Restricted share units**

The Company adopted an incentive plan for its directors, officers, employees, and consultants, under which it is authorized to grant a maximum of 1,500,000 common shares reserved for issuance for restricted share units under the incentive plan. Upon vesting, the holder of an RSU award can elect to receive one common share or the equivalent cash payment based on the market price of the common share on settlement.

In September 2019, the Company issued 1,100,000 RSUs to various officers, employees and directors which all vest on September 27, 2022. The RSUs are accounted for as cash-settled awards. For the year ended December 31, 2019, the Company recorded share-based compensation expense of \$23,837. The fair value of the RSUs of \$275,000 was measured using the value on grant date.

During the year ended December 31, 2020, the Company accelerated the vesting period of 100,000 RSUs and issued 100,000 common shares at the fair value of \$100,000. During year ended December 31, 2020, the Company recorded share-based compensation expense of \$496,783. As at December 31, 2020, the fair value of the RSUs was \$1,000,000 and December 31, 2019 was \$275,000.

RSU transactions are summarized as follows:

	<b>Number of RSUs</b>
Balance, December 31, 2018	-
Granted	1,100,000
Balance, December 31, 2019	1,100,000
Exercised	(100,000)
<b>Balance, December 31, 2020</b>	<b>1,000,000</b>

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**11. SHARE CAPITAL AND RESERVES (continued)**

**Share purchase warrants**

As part of the RTO, the 1,679,423 Northway warrants at December 31, 2020 were valued at \$1,228,201 calculated using the Black-Scholes option pricing model assuming weighted average variables as follows: life expectancy of 2.70 years, a risk free rate of 0.23%, a forfeiture rate of 0%, and volatility of 125% (Note 4).

In connection to the issuance of the subscription receipts, the Company issued 197,410 broker warrants to the agents. Each warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 for a period of two years. The broker warrants were valued at an aggregate of \$123,183 using the Black-Scholes pricing model with the following assumptions: a risk free rate of 0.20%, a dividend yield of 0%, an expected life of 2.00 years, and volatility of 125%.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2018 and 2019	-	-
Northway warrants pursuant to RTO	1,679,423	0.70
Issued	197,410	1.00
<b>Balance, December 31, 2020</b>	<b>1,876,833</b>	<b>0.73</b>

A summary of the warrants outstanding and exercisable at December 31, 2020 is as follows:

Number of Warrants	Exercise Price	Expiry Date
	\$	
184,858	0.70	August 22, 2021
66,000	0.70	August 28, 2021
197,410	1.00	December 31, 2022
428,571	0.70	September 15, 2023
999,994	0.70	March 19, 2024
<b>1,876,833</b>		

As at December 31, 2020, the Company has 857,143 warrants subject to escrow pursuant to the requirements of the TSX-V, which will be released through August 2022.

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**12. EARNINGS (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Numerator</b>		
Net income (loss) attributable to shareholders	\$ (6,192,715)	\$ 344,850
<b>Denominator</b>		
For basic-weighted average number of common shares outstanding	29,740,267	25,313,318
Effect of dilutive stock options	-	1,381,052
For diluted weighted average number of common shares outstanding	29,740,267	26,694,370
<b>Earnings (loss) per common share</b>		
Basic and diluted	\$ (0.21)	\$ 0.01

**13. RELATED PARTY TRANSACTIONS**

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers and related companies.

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets	45,150	50,090
Geologists	256,500	180,320
Salaries and benefits	105,500	148,984
Share-based compensation	801,408	101,379
	<b>1,208,558</b>	<b>480,773</b>

During the year ended December 31, 2020, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

- i. Paid consulting fees of \$7,150 (2019 - \$42,250) to a corporate officer and their related company which was capitalized to exploration and evaluation assets.
- ii. Received rent recoveries of \$15,300 (2019 - \$4,000) from a company related by way of a common director and officer.

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**14. NON-CONTROLLING INTEREST**

As at December 31, 2018, the Company held a 57% ownership interest in Northway. On January 25, 2019, the Company's interest in Northway was increased to 67%. On March 19, 2019, the Company's interest in Northway was decreased to 38%, as such, the non-controlling interest was subsequently eliminated.

The following table presents the changes in equity attributable to the non-controlling interest in Northway:

	\$
Balance, December 31, 2018	64,978
Share of comprehensive loss for the year	(361)
Elimination of non-controlling interest	(64,617)
<b>Balance, December 31, 2019 and 2020</b>	<b>-</b>

**15. FINANCIAL INSTRUMENTS**

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The fair value of the Company's receivables, accounts payable and accrued liabilities, advances received, and government loans payable approximates their carrying values. The Company's cash, investments in common shares and RSU liability are measured at fair value using Level 1 inputs. The Company's investments in warrants are measured at fair value using Level 3 inputs while investments in private company common shares are measured at fair value using Level 2 inputs. The carrying value of the Company's lease liability is measured at the present value of the discounted future cash flows.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada and the United States. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at December 31, 2020, the Company had a foreign currency net monetary asset position of approximately US\$221,300. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$22,000.

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**15. FINANCIAL INSTRUMENTS (continued)**

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is held in a large Canadian financial institution. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's sales tax receivable is due from the Government of Canada and Revenu Quebec therefore, the credit risk exposure is low.

The maximum exposure to credit risk as at December 31, 2020 is the carrying value of the trade accounts receivable. The Company has not provided for an expected credit loss as management believes the receivables are fully collectible.

c) Interest rate risk

The Company has cash balances and minimal interest-bearing government loans payable. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks or credit unions.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

e) Commodity Price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of gold. The Company monitors metals prices to determine the appropriate course of action to be taken.

f) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments.

**16. CAPITAL MANAGEMENT**

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As an exploration stage company, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable. The Company's share capital is not subject to any external restrictions and the Company did not change its approach to capital management during the year.

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**17. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS**

	For the year ended December 31,	
	2020	2019
	\$	\$
Supplemental non-cash disclosures		
Exploration and evaluation assets in accounts payable	369,342	169,510
Exploration and evaluation assets in receivables	-	9,197
Share issuance costs in accounts payable	182,755	-
Exploration advances applied to exploration and evaluation assets	220,349	-
Net assets acquired on RTO (Note 4)	2,064,387	-
Accounts receivable settlement	-	100,000
Recognition of right-of-use assets and lease liabilities	18,937	59,170
Reallocation of excess funding from the Tanacross project	55,607	-
Reclassification of stock options exercised	9,404	-
Reclassification of restricted share units issued	100,000	-
Value of shares received on sale of mineral properties	150,000	-
Broker warrants issued	123,183	-

**18. SEGMENTED INFORMATION**

The Company has one operating segment, being the exploration of mineral properties. Geographic information is as follows:

As at December 31, 2020			
	Canada	USA	Total
	\$	\$	\$
Exploration and evaluation assets	1,000,752	2,275,751	3,276,503
Equipment	15,383	-	15,383
Right-of-use asset	39,042	-	39,042
	1,055,177	2,275,751	3,330,928

  

As at December 31, 2019			
	Canada	USA	Total
	\$	\$	\$
Exploration and evaluation assets	521,352	546,333	1,067,685
Equipment	3,795	-	3,795
Right-of-use asset	47,665	-	47,665
	572,812	546,333	1,119,145

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**19. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Income (loss) for the year	(6,192,715)	344,489
Expected tax (recovery)	(1,641,000)	93,000
Change in statutory, foreign tax, foreign exchange rates and other	(5,000)	1,000
Permanent differences	282,000	(104,000)
Listing fee on RTO	1,170,000	-
Adjustment to prior years provision versus statutory tax returns	(61,000)	-
Change in unrecognized deductible temporary differences	255,000	10,000
<b>Income tax expense (recovery)</b>	<b>-</b>	<b>-</b>

The significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Deferred tax assets (liabilities)		
Allowable capital losses	36,000	-
Property and equipment	(2,000)	-
Exploration and evaluation assets	(35,000)	-
Investment in equity instruments	(44,000)	(65,000)
Non-capital losses	45,000	65,000
<b>Net deferred tax liability</b>	<b>-</b>	<b>-</b>

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:

	<b>2020</b>	<b>Expiry Date</b>	<b>2019</b>	<b>Expiry Date</b>
	<b>\$</b>	<b>Range</b>	<b>\$</b>	<b>Range</b>
<b>Temporary Differences</b>				
Exploration and evaluation assets	-	No expiry date	56,000	No expiry date
Property and equipment	297,000	No expiry date	-	No expiry date
Share issuance costs	171,000	2021 to 2024	-	No expiry date
Allowable capital losses	-	No expiry date	84,000	No expiry date
Non-capital losses available for future periods				
Canada	846,000	2036 to 2040	216,000	2036 to 2039
USA	32,000	No expiry date	31,000	No expiry date

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**20. SUBSEQUENT EVENTS**

- a) In January 2021, the Company issued 360,000 common shares on the exercise of stock options for proceeds of \$49,000. In addition, 200,000 stock options were cancelled.
- b) In February 2021, the Company entered into a definitive purchase and sale agreement with J2 Metals Inc. ("J2") for the sale of the Napoleon Project.

Pursuant to the terms of the agreement, at closing, Kenorland will transfer the shares in its wholly owned subsidiary 1223615 B.C. Ltd., which indirectly owns a 100% interest in the Napoleon Project, to J2 in exchange for:

- i. 15% of the issued and outstanding shares in J2 on a fully diluted basis;
  - ii. a 1% net smelter returns royalty on the Napoleon Project; and \$500,000 in committed expenditures on the Napoleon Project by J2 within 12 months of the effective date pursuant to an operator services agreement in which Kenorland acts as operator on market standard fees.
- c) In February 2021, the Company granted 740,000 stock options to directors, officers, employees and consultants exercisable at a price of \$1.00 for a period of five years. The options vest 25% immediately followed by 25% every 6 months thereafter. In addition, the Company issued 9,999 common shares on the exercise of warrants for proceeds of \$7,000.