

# **Copperbank Resources Corp.**

## **Consolidated Financial Statements**

**Years ended December 31, 2020 and 2019**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF COPPERBANK RESOURCES CORP.

#### *Opinion*

We have audited the consolidated financial statements of Copperbank Resources Corp. and its subsidiaries (the "Company"), which comprise:

- ◆ the consolidated statements of financial position as at December 31, 2020 and 2019;
- ◆ the consolidated statements of comprehensive loss for the years then ended;
- ◆ the consolidated statements of changes in shareholders' equity for the years then ended;
- ◆ the consolidated statements of cash flows for the years then ended; and
- ◆ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated 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 *Auditors' 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.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$1,059,681 during the year ended December 31, 2020 and, as of that date, the Company's working capital deficiency was \$692,021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### *Other Information*

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' 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.

## *Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Sukhjit Gill.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 22, 2021

**Copperbank Resources Corp.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	Note	December 31, 2020	December 31, 2019
		\$	\$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		36,407	16,240
Other receivable		22,908	39,490
Prepaid expenses and deposit		30,798	9,876
		90,113	65,606
Property and equipment	6	200,994	218,933
Reclamation deposit	4	8,356	8,446
Resource properties	4	5,576,579	5,361,729
<b>Total Assets</b>		<b>5,876,042</b>	<b>5,654,714</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		366,524	423,411
Convertible debenture	8	263,000	-
Note payable	4	63,660	64,940
Obligation to issue shares	5	-	70,000
Due to related parties	7	88,950	51,000
		782,134	609,351
Convertible debenture	8	-	263,000
Loans payable	9	175,599	-
		957,733	872,351
<b>Shareholders' Equity</b>			
Share capital	5	25,478,317	24,587,337
Reserves		24,187,349	23,882,702
Deficit		( 44,747,357)	( 43,687,676)
		4,918,309	4,782,363
<b>Shareholders' Equity and Liabilities</b>		<b>5,876,042</b>	<b>5,654,714</b>
<i>Nature of operations and going concern</i>	1		

Approved and authorized for issuance by the Board of Directors on April 22, 2021

"Gavin Dirom"  
Director

"Gianni Kovacevic"  
Director

*See accompanying notes to the consolidated financial statements*

**Copperbank Resources Corp.**  
**Consolidated Statements of Comprehensive Loss**  
**(Expressed in Canadian dollars)**

Year ended December 31,	Note	2020	2019
		\$	\$
<b>EXPENSES</b>			
Amortization		13,622	14,818
Consulting and management fees	7	303,345	478,183
Filing fees and shareholders' services		27,278	33,237
Insurance		10,533	12,044
Mineral property maintenance and consulting	4	87,759	51,544
Office and interest expenses		81,147	90,757
Professional fees		78,975	84,808
Promotion, advertisement and shareholder relations		84,586	143,573
Rental		16,687	23,143
Share-based compensation	5	302,594	407,181
Travel		41,512	70,171
Loss before the following		( 1,048,038)	( 1,409,459)
Foreign exchange		(3,107)	( 22,158)
Gain from disposition of property and equipment		107,968	8,859
Gain on accounts payable write off		60,011	-
Impairment of resources properties		( 176,515)	( 7,683,225)
Net loss for the year		( 1,059,681)	( 9,105,983)
<b>Items that will not be reclassified to profit or loss:</b>			
Exchange gain on translating foreign operations		2,053	44,199
<b>Comprehensive loss for the year</b>		<b>( 1,057,628)</b>	<b>( 9,061,784)</b>
Loss per share, basic and diluted		<b>( 0.01)</b>	<b>( 0.12)</b>
<b>Weighted average number of outstanding shares</b>		<b>76,643,050</b>	<b>73,778,272</b>

*See accompanying notes to the consolidated financial statements*

**Copperbank Resources Corp.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian dollars)**

	Common shares		Reserves							Total
	Number	Amount \$	Warrants \$	Options \$	Other \$	Accumulated other comprehensive loss \$	Deficit \$			
December 31, 2018	69,614,135	23,491,379	2,776,475	1,288,263	16,182,235	3,184,349	(34,581,693)	12,341,008		
Share-based compensation	–	–	–	407,181	–	–	–	407,181		
Share issuance for cash	3,914,137	1,015,958	–	–	–	–	–	1,015,958		
Shares issued for mineral property option payment	250,000	80,000	–	–	–	–	–	80,000		
Translation from the foreign subsidiary	–	–	–	–	–	44,199	–	44,199		
Net loss for the year	–	–	–	–	–	–	(9,105,983)	(9,105,983)		
<b>December 31, 2019</b>	<b>73,778,272</b>	<b>24,587,337</b>	<b>2,776,475</b>	<b>1,695,444</b>	<b>16,182,235</b>	<b>3,228,548</b>	<b>(43,687,676)</b>	<b>4,782,363</b>		
Share-based compensation	–	–	–	302,594	–	–	–	302,594		
Share issuance for cash	3,629,083	820,980	–	–	–	–	–	820,980		
Shares issued for debt settlement	250,000	70,000	–	–	–	–	–	70,000		
Translation from the foreign subsidiary	–	–	–	–	–	2,053	–	2,053		
Net loss for the year	–	–	–	–	–	–	(1,059,681)	(1,059,681)		
<b>December 31, 2020</b>	<b>77,657,355</b>	<b>25,478,317</b>	<b>2,776,475</b>	<b>1,998,038</b>	<b>16,182,235</b>	<b>3,230,601</b>	<b>(44,747,357)</b>	<b>4,918,309</b>		

*See accompanying notes to the consolidated financial statements*

**Copperbank Resources Corp.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

Year ended December 31,	2020	2019
	\$	\$
<b>Operating Activities</b>		
Net loss for the year	( 1,059,681)	( 9,105,983)
Items not involving cash		
Amortization	13,622	14,818
Gain from disposition of property and equipment	( 107,968)	( 8,859)
Gain on accounts payable write-off	( 60,011)	—
Impairment of resource properties	176,515	7,683,225
Share-based compensation	302,594	407,181
Foreign exchange	3,107	22,158
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	16,228	( 156,027)
Due to related party	37,950	36,928
Receivable	16,582	21,114
Prepaid expenses and deposits	( 20,922)	3,624
<b>Cash Used in Operating Activities</b>	<b>( 681,984)</b>	<b>( 1,081,821)</b>
<b>Financing Activities</b>		
Issuance of a convertible debenture	—	263,000
Obligation to issue shares	—	50,000
Proceeds from note payable	40,000	—
Repayment of note payable	( 40,916)	( 71,480)
Shares issuance for cash	820,980	1,015,958
<b>Cash Provided by Financing Activities</b>	<b>820,064</b>	<b>1,257,478</b>
<b>Investing Activities</b>		
Expenditure of resource properties	( 238,734)	( 381,868)
Proceeds from disposition of equipment	107,968	8,859
<b>Cash Used in Investing Activities</b>	<b>( 130,766)</b>	<b>( 373,009)</b>
<b>Effect of change in foreign currency</b>	<b>12,853</b>	<b>60,193</b>
<b>Net Increase (Decrease) in Cash and cash equivalents</b>	<b>20,167</b>	<b>( 137,159)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>16,240</b>	<b>153,399</b>
<b>Cash and cash equivalents, end of year</b>	<b>36,407</b>	<b>16,240</b>

*See accompanying notes to the consolidated financial statements*

SUPPLEMENTAL CASH FLOW INFORMATION (Note 13)



**Copperbank Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Copperbank Resources Corp. (the “Company” or “Copperbank”) was incorporated on October 21, 2014 under the *Business Corporations Act* (British Columbia). The Company’s registered office is Suite 910 – 800 West Pender St., Vancouver, British Columbia, V6C 2V6. The Company’s head office and principal address is located at 1500-409 Granville St., Vancouver, British Columbia, V6C 1T2. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “CBK”, and its principal business is the acquisition and development of mineral properties.

At the time these consolidated financial statements were prepared, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company’s business and financing opportunities and access to mineral properties to conduct exploration activities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing at the properties, business closures or business disruptions, and the effectiveness of actions taken in Canada, and other countries to contain and treat the disease.

**Going concern**

These consolidated financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is a resource exploration stage company, which does not generate any revenue and has been relying on equity-based financing to fund its operations. The Company has incurred a net loss of \$1,059,681 (2019 - \$9,105,983) during the year and had a working capital deficiency of \$692,021 (2019 - \$543,745) as of December 31, 2020. The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements or a combination thereof to meet its administrative costs and to continue to explore and develop its mineral properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern is in significant doubt.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its ongoing obligations. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful, as it is dependent on prevailing capital market conditions and the availability of other financing opportunities. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

**2. STATEMENT OF COMPLIANCE**

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“ISAB”).

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the accounts of the Company and its wholly owned subsidiaries, Enenco International Inc. (“Enenco US”) (USA), 1016079 B.C Ltd. (Canada), Copperbank Resources Alaska Inc. (USA), Copperbank Royalties Corp. (incorporated in Canada during 2019), Redhawk Resources, Inc. (Canada), Redhawk Copper Inc. (USA), Redhawk Resources (USA), Inc., and Copper Creek Project LLC (USA). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

**Copperbank Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments**

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income (“FVTOCI”) or measured at fair value through profit or loss (“FVTPL”).

(i) Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company’s business model for the such financial assets is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value less transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

(ii) Financial assets measured at FVTPL

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company’s cash and cash equivalents are financial assets measured at FVTPL.

(iii) Financial assets measured at FVTOCI

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value less transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as “financial asset at fair value through other comprehensive income” in other comprehensive income.

The Company’s does not have any financial assets measured at FVTOCI.

**Copperbank Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (continued)**

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities measured at amortized cost or measured at fair value through profit or loss.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company's accounts payable and accrued liabilities, due to related parties, convertible debenture, loans payable and note payable are financial liabilities measured at amortized cost.

(ii) Financial liabilities measured at FVTPL

A financial liability measured at FVTPL is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company does not have any financial liabilities measured at FVTPL.

(c) Derecognition of financial liabilities

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

**Copperbank Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (continued)**

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

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

**Significant estimates and judgments**

Apart from making estimates and assumptions as described below, the Company's management makes critical judgments in the process of applying its accounting policies that have a significant effect on the amounts recognized in the Company's consolidated financial statements. The significant judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

- The indicators of impairment of property and equipment and resource properties

Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's property and equipment and resource properties.

Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of resource properties may exceed its recoverable amount. The retention of regulatory permits and licenses; the Company's ability to obtain financing for exploration and development activities and its future plans on the resource properties; current and future metal prices; and market sentiment are all factors considered by the Company.

In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded, as there has been no obsolescence or physical damage to the assets and there are no indications that the value of the assets have declined more than what is expected from the passage of time or normal use.

- The determination of the Company and its subsidiaries' functional currency

The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

**Copperbank Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Significant estimates and judgments (continued)**

- The recognition of deferred income tax assets

The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Significant areas requiring the use of management estimates include:

- Interest rate used in determining the fair value of liability component of its convertible debentures and long-term debt.
- The inputs used in the Black-Scholes option pricing model to calculate the fair value of options.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

**Loss per share**

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. The calculation of diluted loss per share excludes the effects of conversion or exercise of options and warrants if they would be anti-dilutive.

**Resource properties**

Costs directly related to the exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties 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 transferred to mining assets and depreciated using the unit-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. Resource properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as resource property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of resource property.

**Copperbank Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Foreign currency translation**

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of Enexo International Inc., Redhawk Copper Inc. (USA), Redhawk Resources (USA), Inc., and Copper Creek Project LLC (USA) is the United States dollar ("US\$"). The functional currency of Redhawk Resources, Inc. (Canada), Copperbank Resources Alaska Inc. (Alaska) and 1016079 B.C Ltd. (British Columbia) is the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in other comprehensive loss.

**Property and equipment**

Property and equipment is stated at historical cost less accumulated amortization 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.

Amortization is calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

<b>Class of property and equipment</b>	<b>Depreciation rate</b>
Building	25 years
Land	Nil

**Copperbank Resources Corp.**  
**Notes to the Consolidated Financial Statements**  
**Years ended December 31, 2020 and 2019**  
**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Impairment of non-financial assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use) to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**Non-monetary transactions**

Shares issued for non-monetary consideration are valued at the fair value of the assets received or services rendered or the quoted market price of the shares at the date of issuance, whichever is determined to be the more reliable measure.

**Unit issuance**

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the announcement date of the unit offering and any residual remaining is allocated to common share purchase warrants.

**Share-based payments**

The Company has a stock option plan that is described in Note 5. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the 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 amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in option reserve is transferred to share capital. For those unexercised options that expire, the recorded value is transferred to deficit. For those unexercised options that are cancelled or forfeited, the recorded value remains in option reserve.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash equivalents**

Cash equivalents consist of a cashable guaranteed investment certificate of \$2,300 (2019 - \$2,300) that is readily convertible into a known amount of cash.

**Provision for closure and reclamation**

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of resource properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation 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 Company's estimate of reclamation 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 assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

**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 countries where the Company operates and generates taxable income.

Current income 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.

Deferred income tax:

Deferred income tax is provided using the asset and liability method 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 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.

**Compound financial instruments**

The convertible debentures were separated into their liability and equity components on issuance of the instruments. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon debt instruments with no bonus shares, conversion feature or warrants issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt instruments with similar terms at the time of issue. The residual value is then allocated to the equity component.



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**4. RESOURCE PROPERTIES**

The continuity of the mineral properties is as follows:

	Pyramid	Copper Creek	Total
	\$	\$	\$
Balance, December 31, 2018	7,569,692	5,064,343	12,634,035
Annual option fees and maintenance of permits	113,533	301,791	415,324
Impairment	(7,683,225)	-	(7,683,225)
Effect of change in foreign exchange rate	-	(4,405)	(4,405)
Balance, December 31, 2019	-	5,361,729	5,361,729
Annual option fees and maintenance of permits	176,515	222,523	399,038
Impairment	(176,515)	-	(176,515)
Effect of change in foreign exchange rate	-	(7,673)	(7,673)
Balance, December 31, 2020	-	5,576,579	5,576,579

**Copper Creek Mineral Properties, Arizona**

i) The Company acquired 100% of the Copper Creek Project through the acquisition of Redhawk Resources Inc. (“Redhawk”) with a value of \$4,955,328 during the year ended December 31, 2018.

ii) D & G Mining Agreement - In November 2005, Redhawk entered into a lease-to-purchase agreement with a third party for additional property within the Copper Creek boundaries. Redhawk paid US\$80,000 in both 2006 and 2007 and was required to pay US\$100,000 in November 2008 and annually thereafter until the end of year fifteen. In May 2018, the agreement was amended to reduce the annual payments to US\$50,000. During the year, \$68,482 (USD50,000) in annual payment were paid.

Redhawk has the option to purchase the property for US\$3,000,000. Commencing January 1, 2022, 50% of the yearly lease payments made prior to exercising the option to purchase will be applied against the purchase price in the event that Redhawk exercises its property purchase option.

iii) Freeport Mineral Corporation Agreement - In April 2007, Redhawk entered into a purchase agreement with Freeport Mineral Corporation (“Freeport”) to acquire additional mining claims within the Copper Creek boundaries. The additional mining claims are subject to a 1% Net Smelter Return royalty.

In conjunction with Redhawk’s acquisition of mining claims from Freeport, Redhawk entered into a promissory note. The promissory note with the principal amount of US\$1,525,594 is repayable over 11 years and bears interest at 5% per annum. On May 30, 2018, Redhawk entered into an amendment to the Fourth Workout Agreement with Freeport. The substance of the amended agreement is a conversion of interest and principal owing to Freeport into production decision royalty payments. The total will be US\$3,000,000 paid in six equal annual instalments of US\$500,000 per annum. The payments are contingent upon Redhawk or successors achieving a defined commercial production of minerals. As a result of this amendment, no liabilities in connection with this promissory note has been recorded as at December 31, 2020 and 2019.

iv) Morgan Agreements - In December 2012, Redhawk acquired patented land from two unrelated parties for total consideration of US\$1.2 million. Redhawk is required to pay \$63,660 (US\$50,000) in 2020 (2019 - \$64,940 (US\$50,000)). As at December 31, 2020, the outstanding balance related to this obligation was \$63,660 which was paid in March 2021.

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**4. RESOURCE PROPERTIES (Continued)**

**Contact Property, Nevada**

The Company owns a 100% interest in the Contact property located in Elko County, Nevada. This property was fully impaired during fiscal 2015. The Company intends to keep the permit of this resource property in good standing.

As at December 31, 2020, the Company had deposited \$8,356 (2019 - \$8,446) for the reclamation deposits of the Contact property in Nevada and for the Copper Creek property in Arizona.

**Pyramid property, Alaska**

Option agreement with TAC

The Company, through an amalgamation with Full Metal Minerals (USA) Inc. ("Full Metal"), acquired its interest in the Pyramid Project in 2014. Full Metal has an option agreement ("Pyramid Agreement") with The Aleut Corporation ("TAC"), an Alaska Regional Native Corporation for the acquisition of a 100% interest in subsurface mineral rights covering the Pyramid project.

On January 4, 2018, the Company entered into a first amendment ("First Amendment") to the Pyramid Agreement. The First Amendment was effective December 31, 2017. The exploration area has been modified to a division into the Pyramid District Lands ("Pyramid Lands") and San Diego Bay District ("SDB Lands"). The option period has been modified to (i) December 31, 2019 for the Pyramid Lands and (ii) December 31, 2020 for the SDB Lands.

Reacquisition of Antofagasta Minerals' interest

On March 5, 2014 (the "Assignment Date"), Full Metal reacquired a 51% interest in the Pyramid property (the "Assignment Agreement") previously earned by Antofagasta Minerals under the 2010 option agreement with Antofagasta Minerals.

In July 2017, the Company entered into an amendment for the Assignment Agreement with respect to its interest in the Pyramid Property with Antofagasta Minerals. Total consideration, after the amendment is comprised of the following:

- Payment of US\$150,000 cash and issuance of 1,000,000 common shares of the Company to Antofagasta Minerals by March 4, 2019 (Note 6)
- Payment of US\$5,500,000 cash upon the occurrence of a construction decision in respect of the Pyramid Project.
- Payment of US\$2,500,000 cash upon the commencement of commercial production in respect of the Pyramid Project.

From late 2018 through 2019 the Company was in negotiations with The Aleut Native Corporation, the mineral rights owner of the Pyramid and San Diego Bay Projects, to extend and amend the exploration agreement of the Projects. These negotiations were unsuccessful and in early 2020 the mineral rights owner terminated the option agreements. As a result, the option agreements are considered ceased and the Company has written off the Pyramid and San Diego Bay Projects. As a result, an impairment charge of \$176,515 (2019 - \$7,683,225) has been recorded. A value in use calculation is not applicable as the Company does not have any expected cash flows from using the property at this stage of operations. In estimating fair value less costs of disposal, management did not have observable or unobservable inputs to estimate the recoverable amount greater than \$nil. As this valuation technique requires management's judgement and estimates of the recoverable amount, it is classified within Level 3 of the fair value hierarchy.

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**5. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares without par value.

**b) Issued and outstanding**

On July 8, 2020, the Company consolidated its outstanding common shares on a four-for-one basis. The presentation of number of shares, warrants, stock options and loss per share in these financial statements have been retrospectively adjusted for this share consolidation.

During the year ended December 31, 2020:

In January 2020, the Company closed a private placement, issuing 1,250,000 common shares at a price of \$0.24 per share for net proceeds of \$300,000.

In February 2020, the Company closed a private placement, issuing 791,583 common shares at \$0.24 per share for net proceeds of \$189,980. The Company also issued 250,000 common shares to settle the share issuance obligation of \$70,000 at December 31, 2019.

In May 2020, the Company closed a private placement, issuing 337,500 common shares at \$0.24 per share for gross proceeds of \$81,000.

In July 2020, the Company closed a private placement, issuing 1,250,000 common shares at \$0.20 per share for gross proceeds of \$250,000.

During the year ended December 31, 2019:

In March 2019 the Company closed a private placement, issuing 1,914,137 common shares at a price of \$0.28 per share for net proceeds of \$535,958.

In March 2019 the Company issued 250,000 common shares at \$0.32 per share to Antofagasta Minerals S.A. to satisfy the \$80,000 owed for the July 28, 2017 assignment agreement in connection with the Pyramid Property.

In August 2019, the Company closed a private placement, issuing 2,000,000 common shares at a price of \$0.24 per share for net proceeds of \$480,000.

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**5. SHARE CAPITAL (Continued)**

**c) Warrants**

As at December 31, 2020 and December 31, 2019, the following warrants were outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Outstanding</u>
August 21, 2022	\$ 1.00	1,293,341

Continuity is as follows:

	<u>Number outstanding</u>
Outstanding and exercisable, December 31, 2018	20,882,389
Expired	(19,589,048)
Outstanding and exercisable, December 31, 2020 and December 31, 2019	1,293,341

As at December 31, 2020, the weighted average exercise price and remaining life of these warrants was \$1.00 per share and 1.64 years.

**d) Options**

The Company has a “rolling” stock option plan (the “Plan”) that allows the Company to grant options to its employees, directors, consultants and officers for a maximum of 10% of outstanding shares to be issued.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period.

On July 24, 2020, the Company granted 3,800,000 incentive stock options, with an exercise price of \$0.23, to officers, directors and consultants of the Company. These options can be exercised for a period of five years from the date of grant, are subject to the policies of the Canadian Securities Exchange and contain vesting provisions whereby 25% of these options will vest six months from the date of grant and 25% vesting every six months thereafter.

On February 28, 2019, the Company granted 500,000 incentive stock options, with an exercise price of \$0.40, to officers, directors and consultants of the Company. These options can be exercised for a period of five years from the date of grant, are subject to the policies of the Canadian Securities Exchange and contain vesting provisions whereby 25% of these options will vest six months from the date of grant and 25% vesting every six months thereafter.

During the year ended December 31, 2020, the Company incurred share-based compensation of \$302,594 in connection with options vested (2019 - \$407,181). The Company used Black Scholes option pricing model and the following assumptions to determine the fair values of the stock options granted in the year:

	<u>2020</u>	<u>2019</u>
Risk-free interest rate	0.34%	2.22%
Expected life of the option	5 years	5 years
Annualized volatility	145%	230%
Dividend Rate	0.00 %	0.00 %

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**5. SHARE CAPITAL (Continued)**

**d) Options (continued)**

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

Expiry Date	Exercise Price	Outstanding	Exercisable
April 11, 2021	\$0.20	125,000	125,000
February 24, 2022	\$0.40	1,237,500	1,237,500
July 28, 2022	\$0.52	162,500	162,500
May 10 to May 21, 2023	\$0.40	2,000,000	2,000,000
February 28, 2024	\$0.40	250,000	187,500
July 24, 2025	\$0.23	3,800,000	-
		<b>7,575,000</b>	<b>3,712,500</b>

As at December 31, 2019, the following stock options were outstanding:

Expiry Date	Exercise Price	Outstanding	Exercisable
February 5, 2020	\$0.40	512,500	512,500
June 8, 2020	\$0.40	125,000	125,000
April 11, 2021	\$0.20	125,000	125,000
February 24, 2022	\$0.40	1,587,500	1,150,000
July 28, 2022	\$0.52	162,500	162,500
May 10 to May 21, 2023	\$0.40	2,000,000	1,612,000
February 28, 2024	\$0.40	500,000	125,000
		<b>5,012,500</b>	<b>3,812,000</b>

Continuity of the option outstanding is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2018	5,536,034	\$0.44
Expired	(1,023,534)	\$0.56
Granted	500,000	\$0.40
Outstanding, December 31, 2019	5,012,500	\$0.40
Forfeited	(600,000)	\$0.40
Expired	(637,500)	\$0.40
Granted	3,800,000	\$0.23
Outstanding, December 31, 2020	7,575,000	\$0.31
Exercisable, December 31, 2020	3,712,500	\$0.40

The remaining contractual life of the Company's options as at December 31, 2020 was 3.25 (2019 – 2.61) years.

Subsequent to the year ended, 262,500 options with exercise prices of \$0.20 and \$0.40 were exercised into common shares of the Company.

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**6. PROPERTY AND EQUIPMENT**

Continuity of the Property and equipment is as follows:

	Building	Land	Total
	\$	\$	\$
<b>Cost</b>			
Balance, December 31, 2018	225,344	32,106	259,450
Foreign exchange adjustment	(10,803)	(1,635)	(12,438)
Balance, December 31, 2019	214,541	32,471	247,012
Foreign exchange adjustment	(4,229)	(641)	(4,870)
Balance, December 31, 2020	210,312	31,830	242,142
<b>Amortization</b>			
Balance, December 31, 2018	14,469	-	14,469
Addition	14,818	-	14,818
Foreign exchange adjustment	(1,208)	-	(1,208)
Balance, December 31, 2019	28,079	-	28,079
Addition	13,622	-	13,622
Foreign exchange adjustment	(553)	-	(553)
Balance, December 31, 2020	41,148	-	41,148
<b>Net book value</b>			
Balance, December 31, 2019	186,462	32,471	218,933
Balance, December 31, 2020	169,164	31,830	200,994

During the 2020 fiscal year, the Company sold drilling equipment for a gain of \$107,968 (2019 - \$8,859) with net book value of \$nil.

**7. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2020 and 2019, the Company incurred the following transactions with key management members and the directors of the Company:

	Nature	2020	2019
		\$	\$
Key management	Management fees	259,000	383,250
Key management and directors	Share-based compensation	200,346	294,462

As at December 31, 2020, amount due to related parties comprised of amounts owing to key management members of \$88,950 (2019 - \$51,000). Due to related parties has the same terms as the Company's trade payables, which is unsecured and non-interest-bearing and with no specific terms.

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**8. CONVERTIBLE DEBENTURE**

On June 17, 2019 the Company closed a non-brokered private placement of convertible debentures (“CDs”) for gross proceeds of \$263,000. Each CD has an issue price of \$1,000, a term of two years from the date of issuance and bears an interest at a rate of 15% per annum, calculated monthly and payable monthly in cash with the first payment being due on July 14, 2019 (paid) and with the entire amount maturing and payable on June 14, 2021. Each Debenture is convertible into common shares of the Company at the option of the holder at any time prior to maturity at a conversion price of \$0.28 per common share. The Company will have the option to redeem the CD at a redeemable price equal to their principal amount plus accrued and unpaid interest. The interest rate on the CD is approximately the market interest rate in determining the fair value of the liability component. Thus, no value has been assigned to the equity component.

For the year ended December 31, 2020, the Company has incurred interest expense of \$41,586 on the convertible debentures (2019 – \$20,010).

**9. LOANS PAYABLE**

***CEBA LOAN***

In connection to the outbreak of COVID-19, the Company received \$40,000 in Canada Emergency Business Account (“CEBA”) loan from the Government of Canada. These CEBA loan is non-interest bearing and matures on December 31, 2022. Repaying the loan balance on or before December 31, 2022 will result in loan forgiveness of 25%. The principal balance of \$40,000 (2019 - \$Nil) is included in loan payable at December 31, 2020 on the consolidated statements of financial position.

***DEBT REPAYMENT AGREEMENT***

In connection with a debt payment agreement (the “Agreement”) with the original optionor (the “Optionor”) of the Pyramid Project, the Company owed the Optionor \$173,710 (USD \$125,000) plus interest at the rate of 10% per annum, which is due on March 4, 2022. The Company is required to pay to the Optionor at least 20% of the net proceeds from any debt or equity financing or sale of any assets. During the year ended December 31, 2020, the Company paid USD \$40,000 towards this debt. As at December 31, 2020, the remaining balance of this debt is \$135,599 (USD \$106,803) including principal and accrued interest which is due on March 4, 2022.

For the year ended December 31, 2020, the Company has incurred interest expense of \$29,099 on this debt (2019 – \$nil).

Subsequent to the year ended, the Company fully paid the balance in final settlement of this debt to the Optionor.

**10. INCOME TAXES**

Income tax expense differs from the amount that would be computed by applying the statutory income tax rate of 27% (2019 - 27%) to income before income taxes. The reasons for the differences are as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loss before income tax	(1,059,681)	(9,105,983)
Statutory income tax rate	27%	27%
	(286,114)	(2,458,615)
Items not deductible for tax purposes	81,700	2,184,410
Differences on tax rates between jurisdictions	1,567	5,759
Change in timing differences	(12,520)	(1,964,990)
Effect of change in foreign exchange rates	147,650	616,232
Unrecognized tax benefits	67,717	1,617,204
<b>Total income taxes</b>	<b>-</b>	<b>-</b>

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**10. INCOME TAXES (Continued)**

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2020 and 2019 are presented below:

	<b>2020</b>	<b>2019</b>
Deferred income tax assets		
Non-capital losses	\$7,567	\$ 10,740
Deferred income tax liability		
Resource properties	(7,567)	(10,740)
Net deferred income tax liabilities	\$ -	\$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets have been met.

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	<b>2020</b>	<b>2019</b>
Resource properties	\$46,497,040	\$47,186,511
Non-capital losses	51,622,187	50,875,796
Property and equipment	1,800,638	1,814,257
Share issuance cost	1,130	2,752
Capital losses	24,563	24,563
Unrecognized deductible temporary differences	\$99,945,558	\$ 99,903,879

As at December 31, 2020, the Company has US non-capital losses of approximately \$33 million that may be applied to reduce future US taxable income. The Company also has Canadian non-capital losses of approximately \$18 million that may be applied to reduce future Canadian taxable income.

**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments are exposed to several financial and market risks, including credit, interest rate, liquidity and commodity risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

**Fair value of financial instruments**

The fair value hierarchy established by IFRS 13 Fair Value Measurement has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

- 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 assets or liabilities either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair values of the Company's accounts receivable, deposits and accounts payable are equivalent to their carrying values due to their short-term nature.



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**11. FINANCIAL INSTRUMENTS (Continued)**

**Credit risk**

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash and cash equivalents by placing its cash and cash equivalents in major financial institutions. As at December 31, 2020, the Company had cash equivalents of \$2,300 in term deposits (2019 - \$2,300).

**Liquidity risk and fair value hierarchy**

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand. The Company manages its liquidity risk mainly through raising funds from private placements and amounts from related parties.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

**Commodity risk**

The Company is subject to commodity price risk arising from the fluctuation of metal price beyond the Company's control. The Company may have difficulties to identify and acquire economically viable projects for the Company to invest in if metal prices are depressed for an extended period.

**Interest rate risk**

The Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of December 31, 2020, the Company did not have debt instruments exposed to variable interest rate. The risk is not significant.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2020 and December 31, 2019, the Company's exposure to foreign currency risk on its financial instruments is as follows:

	December 31, 2020	December 31, 2019
Cash	US\$ 19,200	US\$ 3,258
Note payable	50,000	-
Loans payable	106,803	-
Canadian dollar equivalent	\$ 224,087	\$ 4,232

A 5% change in the US dollar against the Canadian dollar at December 31, 2020 would result in a change of approximately \$11,204 in comprehensive loss.

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**12. SEGMENTED INFORMATION**

The Company operates primarily in one business segment, which is the exploration and development of resource properties located in the United States. The Company's non-current assets were \$5,785,929 (2019- \$5,589,108), which comprised mainly of resource properties, property and equipment, and reclamation bonds that are in the United States.

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>2020</b>	<b>2019</b>
Non-cash transactions during the year:		
Common shares issued for resource properties option payments	\$ -	\$ 80,000
Common shares issued for debt	\$ 70,000	\$ -
Resource property additions included in loans payable	\$176,515	\$ -
Resource property additions included in accounts payable and accrued liabilities	\$183,676	\$ 199,887
Cash transactions during the year:		
Interest paid on convertible debt	\$ 41,071	\$ 20,010
Interest paid on loan	\$15,084	\$ -

**14. SUBSEQUENT EVENTS**

Other than information provided elsewhere, the Company has the following subsequent events:

1) In February 2021, the Company closed a non-brokered private placement of 3,592,358 shares, at a price of \$0.35, for total proceeds of \$1,257,325. No finder's fees were paid as part of this private placement.