

FPX NICKEL CORP.

Condensed Consolidated Interim Financial Statements

March 31, 2021 & 2020

(Unaudited)

(Stated in Canadian Dollars)

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Stated in Canadian Dollars)

	Mar. 31 2021	Dec. 31 2020
	\$	\$
ASSETS		
Current		
Cash and cash equivalents (note 3)	5,413,099	5,835,074
Amounts receivable (note 4)	82,157	57,930
Prepaid expenses (note 5)	42,475	24,390
Total Current Assets	<u>5,537,731</u>	<u>5,917,394</u>
Reclamation deposits (note 6)	133,288	133,288
Right-of-use asset – office lease (note 9)	42,663	50,663
Exploration and evaluation assets (note 7)	10,518,992	10,222,912
Total Assets	<u><u>16,232,674</u></u>	<u><u>16,324,257</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 8)	151,530	117,363
Lease liability – current portion (note 9)	35,001	33,992
Interest payable (note 10)	-	63,660
Total Current Liabilities	<u>186,531</u>	<u>215,015</u>
Lease liability – non-current portion (note 9)	12,429	21,549
Loan payable (note 10)	-	3,371,582
CEBA loan payable (note 14)	60,000	40,000
Total Liabilities	<u>258,960</u>	<u>3,648,146</u>
EQUITY		
Share capital (note 11)	47,937,204	44,188,865
Other equity reserve (note 11)	6,893,889	6,884,555
Deficit	(38,857,379)	(38,397,309)
Total Shareholders' Equity	<u>15,973,714</u>	<u>12,676,111</u>
Total Liabilities and Shareholders' Equity	<u><u>16,232,674</u></u>	<u><u>16,324,257</u></u>
Nature and continuance of operations (note 1)		
Commitments (note 14)		
Subsequent events (note 17)		

Approved and authorized by the Board of Directors:

/s/ Peter M. D. Bradshaw

Peter M.D. Bradshaw, Director

/s/ James S. Gilbert

James S. Gilbert, Director

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the Three Months Ended March 31
(Unaudited)
(Stated in Canadian dollars)

	2021	2020
EXPENSES	\$	\$
Accounting, legal and audit	4,401	695
Depreciation (note 9)	8,000	8,000
Foreign exchange loss (gain)	(9,134)	337,364
General exploration	-	662
Insurance	3,732	3,230
Interest expense (notes 9 and 10)	27,704	138,772
Management fees and salaries	137,386	78,204
Office and administration	5,303	6,803
Share-based compensation (note 11)	159,394	435,937
Travel, promotion & communications	99,324	80,780
Trust and filing fees	38,675	13,004
	(474,785)	(1,103,451)
Income (loss) before other items		
OTHER ITEMS		
Interest income	14,715	5,221
	14,715	5,221
Net income (loss) for the period	(460,070)	(1,098,230)
Other comprehensive loss		
Items that may be reclassified to income:		
Unrealized loss on marketable securities	-	(8,989)
	(460,070)	(1,107,219)
Comprehensive income (loss) for the period		
Basic and diluted loss per share (note 12)	(\$0.00)	(\$0.00)
Weighted average number of common shares outstanding	181,452,344	156,634,349

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Stated in Canadian Dollars)

	Share Capital		Other Equity Reserve \$	Deficit \$	Accumulated Other Comprehensive Loss \$	Total \$
	Number of Shares #	Amount \$				
Balance, December 31, 2019	154,728,672	33,476,916	6,446,378	(36,586,200)	(29,044)	3,308,050
Private placement	8,333,332	1,500,000	-	-	-	1,500,000
Share issue costs	-	(23,360)	-	-	-	(23,360)
Options exercised	250,000	39,450	(14,450)	-	-	25,000
Share-based compensation	-	-	435,937	-	-	435,937
Loss for the period	-	-	-	(1,098,230)	-	(1,098,230)
Other comprehensive loss	-	-	-	-	(8,989)	(8,989)
Balance, March 31, 2020	163,312,004	34,993,006	6,867,865	(37,684,430)	(38,033)	4,138,408
Private placement	8,963,636	4,930,000	-	-	-	4,930,000
Share issue costs	-	(195,122)	-	-	-	(195,122)
Options exercised	950,000	198,460	(78,460)	-	-	120,000
Shares issued in debt settlement	7,750,037	4,262,521	-	-	-	4,262,521
Share-based compensation	-	-	95,150	-	-	95,150
Adjustment on sale of marketable securities	-	-	-	-	29,044	29,044
Loss for the period	-	-	-	(712,879)	-	(712,879)
Other comprehensive gain	-	-	-	-	8,989	8,989
Balance, December 31, 2020	180,975,677	44,188,865	6,884,555	(38,397,309)	-	12,676,111
Shares issued in debt settlement	5,312,386	3,453,051	-	-	-	3,453,051
Share issue costs	-	(62,272)	-	-	-	(62,272)
Options exercised	1,200,000	357,560	(150,060)	-	-	207,500
Share-based compensation	-	-	159,394	-	-	159,394
Loss for the period	-	-	-	(460,070)	-	(460,070)
Balance, March 31, 2021	187,488,063	47,937,204	6,893,889	(38,857,379)	-	15,973,714

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended March 31
(Unaudited)
(Stated in Canadian Dollars)

	2021	2020
	\$	\$
Cash provided by (used for):		
Operating activities		
Net loss for the period	(460,070)	(1,098,230)
Add items not involving cash:		
Depreciation	8,000	8,000
Accrued interest included in loan payable	26,713	64,025
Foreign exchange loss (gain) on loan payable	(11,663)	350,165
Share-based compensation	159,394	435,937
Loss on settlement of loan payable	2,759	-
	(274,867)	(240,103)
Changes in non-cash working capital components:		
Amounts receivable	(24,227)	11,913
Prepaid expenses	(18,085)	(13,099)
Accounts payable and accrued liabilities	20,692	33,660
Current portion of lease liability	-	(1,706)
Interest payable	-	5,992
	(296,487)	(203,343)
Financing activities *		
Proceeds from shares issued	207,500	1,525,000
Share issue costs	(62,272)	(23,360)
Repayment of lease liability	(8,111)	(6,839)
Proceeds from CEBA loan	20,000	-
Loan payments	-	(724,743)
	157,117	770,058
Investing activities *		
Exploration and evaluation expenditures	(282,605)	(129,914)
	(282,605)	(129,914)
Net cash and cash equivalents provided (used) during period	(421,975)	436,801
Cash and cash equivalents – beginning of period	5,835,074	1,728,445
Cash and cash equivalents - end of period	5,413,099	2,165,246
* Supplemental disclosure of non-cash financing and investing activities:		
Interest received	14,639	5,085
Accounts payable related to mineral properties	44,931	126,386

Also see Notes 9 and 10

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

March 31, 2021

(Unaudited)

(Stated in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

FPX Nickel Corp. (the “Company”) is incorporated under the *Business Corporations Act* (Alberta) and is involved in the acquisition and exploration of mineral property interests that are considered potential sites of economic mineralization. On May 25, 2017, the Company’s shareholders approved a special resolution to change the Company’s name from First Point Minerals Corp. to FPX Nickel Corp. The name change became effective on May 30, 2017. At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of these properties.

On September 4, 2019, the Company closed amended and new loan agreements to extend the maturity of its long-term debt from September 4, 2020 to September 4, 2022 and September 4, 2025. On closing of the new and amended loan agreements, the Company’s long-term debt was as follows:

- Loan from Peter Bradshaw, the Company’s Chairman and largest shareholder, with principal of C\$4 million and accrued interest due on September 4, 2025 (the “**Bradshaw Loan**”); and
- Loan from a private shareholder with principal of US\$2.5 million and accrued interest due on September 4, 2022 (the “**Private Shareholder Loan**”).

On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of \$0.55 per share in settlement of the \$4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan.

On February 11, 2021, the Company issued 5,312,386 common shares of the Company at a price of \$0.65 per share in settlement of the \$3,453,051 principal and interest owing on the Private Shareholder Loan, thereby settling the Private Shareholder Loan.

The Company has not generated revenue from operations. The Company incurred a net loss of \$460,070 (2020 – \$1,098,230) during the three months ended March 31, 2021 and as of that date the Company’s deficit was \$38,857,379 (December 31, 2020 - \$38,397,309). As the Company is in the exploration stage, the recoverability of the costs incurred to date on its exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties.

While the Company’s working capital position at March 31, 2021 was \$5,351,200 (December 31, 2020 - \$5,702,379), the Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. 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.

These consolidated financial statements include the financial statements of the Company and its subsidiary. They are presented in Canadian dollars, which is the functional currency of the Company and its wholly-owned subsidiary, First Point Mexico S.A. de C.V., incorporated in Mexico.

The head office and principal address of the Company is Suite 620 – 1155 West Pender Street, Vancouver, British Columbia V6E 2P4. The Company’s registered and records office is 4500 Bankers Hall East, 855 Second Street SW, Calgary, Alberta T2P 4K7.

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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2. BASIS OF PREPARATION

(a) *Statement of compliance*

The condensed consolidated interim financial statements for the three months ended March 31, 2021, including comparatives for the prior period, were prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”) on a basis consistent with those followed in the most recent annual consolidated financial statements. The Company operates in one reportable operating segment being the exploration of mineral properties.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on May 27, 2021.

(b) *Basis of measurement*

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Although management uses historical experience and its best knowledge of the amounts, events or actions to form the basis for judgments and estimates, actual results could differ from these estimates.

3. CASH AND CASH EQUIVALENTS

	March 31, 2021	December 31, 2020
Cash on deposit	\$ 107,342	\$ 93,955
Liquid short-term investments	<u>5,305,757</u>	<u>5,741,119</u>
Cash and cash equivalents	<u>\$ 5,413,099</u>	<u>\$ 5,835,074</u>

4. AMOUNTS RECEIVABLE

The Company’s receivables arise mainly from amounts due from Canadian government taxation authorities in relation to GST receivable and mineral exploration cost recoveries.

5. PREPAID EXPENSES

The Company’s prepaid expenses consist of the following:

	March 31, 2021	December 31, 2020
Insurance	\$ 765	\$ 3,448
Vendor prepayments	<u>41,710</u>	<u>20,942</u>
Total	<u>\$ 42,475</u>	<u>\$ 24,390</u>

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6. RECLAMATION DEPOSITS

The Company has provided deposits as security against potential future reclamation work relating to three of its mineral properties. As at March 31, 2021, a total of \$133,288 (December 31, 2020 - \$133,288) has been provided in the form of cash and Guaranteed Investment Certificates posted with the Minister of Finance for the Province of British Columbia for the benefit of the provincial Ministry of Energy and Mines.

7. EXPLORATION AND EVALUATION ASSETS

As at March 31, 2021, the Company holds a 100% interest in five nickel properties, four of which are located in British Columbia (Decar, Wale, Orca and Klow), and one located in the Yukon Territory (Mich). With the exception of the Decar district, the Company's nickel properties are all in the early stage of exploration.

Canada

Nickel Properties, British Columbia and Yukon Territory

Under the terms of an option agreement entered into in November 2009, Cliffs Natural Resources Exploration Inc. ("Cliffs") held the right to earn an initial 51% interest in the Decar district by spending US\$4,500,000 on the property over four years. Pursuant to an amended agreement dated September 12, 2011, by agreeing to complete the scoping study within 18 months, Cliffs was deemed to have earned an initial 51% interest in the Decar district and the Company was deemed to have earned a 1% NSR royalty in the Decar district. On delivery of the Preliminary Economic Assessment in April 2013, Cliffs earned an additional 9% interest in Decar, bringing its aggregate interest to 60%. In August 2015, the structure of ownership of the Decar district converted to a contractual joint venture, with initial ownership interests fixed at 60% for Cliffs and 40% for FPX Nickel.

On November 18, 2015, the Company purchased Cliffs' 60% ownership of the Decar district for an acquisition price of US \$4.75 million (CDN \$6.27 million). The Company owns 100% of the Decar district.

During the year ended December 31, 2014, deferred acquisition and exploration costs incurred on three of the Company's British Columbia nickel properties (Wale, Orca and Klow) totaling \$2,441,636 were written off as the Company has no plans at this time to perform significant work on those properties. The Company retains the underlying mineral claims for these properties in good standing. As of March 31, 2021, these properties are carried at a nominal value of \$1 per property.

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance December 31, 2019 \$	Acquisition Costs \$	Exploration Costs \$	Recoveries \$	Costs Written Off \$	Balance December 31, 2020 \$
CANADA						
Decar	8,630,089	-	762,955	(34,657)	-	9,358,387
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	864,522	-	-	-	-	864,522
Total Costs – Exploration & Evaluation Assets	9,494,614	-	762,955	(34,657)	-	10,222,912

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7. EXPLORATION AND EVALUATION ASSETS *(continued)*

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance December 31, 2020 \$	Acquisition Costs \$	Exploration Costs \$	Recoveries \$	Costs Written Off \$	Balance March 31, 2021 \$
CANADA						
Decar	9,358,387	-	296,080	-	-	9,654,467
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	864,522	-	-	-	-	864,522
Total Costs – Exploration & Evaluation Assets	10,222,912	-	296,080	-	-	10,518,992

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	March 31, 2021	December 31, 2020
Trade payables	\$ 131,530	\$ 97,363
Accrued liabilities	20,000	20,000
Total	\$ 151,530	\$ 117,363

9. RIGHT-OF-USE ASSET/LEASE LIABILITY

(a) Right-of-use asset

As at March 31, 2021 and December 31, 2020, the right-of-use asset recorded for the Company's office premises was as follows:

	March 31, 2021	December 31, 2020
Balance – beginning of period	\$ 50,663	\$ 82,660
Depreciation	(8,000)	(31,997)
Balance – end of period	\$ 42,663	\$ 50,663

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9. RIGHT-OF-USE ASSET/LEASE LIABILITY (continued)

(b) Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

	March 31, 2021	December 31, 2020
Undiscounted minimum lease payments		
Less than one year	\$ 37,384	\$ 37,018
Two to three years	12,623	22,092
	<u>50,007</u>	<u>59,110</u>
Effect of discounting	(2,577)	(3,569)
Present value of minimum lease payments	47,430	55,541
Less current portion	<u>(35,001)</u>	<u>(33,992)</u>
Long-term portion	<u>\$ 12,429</u>	<u>\$ 21,549</u>

(c) Lease liability continuity

The net change in the lease liability is as follows:

	March 31, 2021	December 31, 2020
Balance – beginning of period	\$ 55,541	\$ 84,886
Cash flows:		
Principal payments	<u>(8,111)</u>	<u>(29,345)</u>
Balance – end of period	<u>\$ 47,430</u>	<u>\$ 55,541</u>

During the three months ended March 31, 2021, interest of \$991 (2020 – \$991) is included in interest expense.

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(Stated in Canadian Dollars)

10. LOAN PAYABLE

Loans payable for the Company is comprised of the following:

	March 31, 2021	December 31, 2020
Private Shareholder Loan:		
Principal	\$ -	\$ 3,183,000
Accrued interest	-	252,242
	-	3,435,242
Reclassified to interest payable	-	(63,660)
Total	\$ -	\$ 3,371,582

On September 4, 2015, the Company entered into an arm's-length loan agreement with an individual shareholder of the Company (the "Private Shareholder"), through which the Private Shareholder lent US \$5.0 million (C\$6.68 million) to the Company for a five-year period at a 6.5% headline interest rate (the "Private Shareholder Loan"). Of this, 1.5% was paid currently, on a semi-annual basis, and the remaining 5% was accrued and was payable at the end of the loan term. In addition, the Private Shareholder received a drawdown fee equal to 4% of the loan amount and a 1% NSR royalty over the Decar mineral claims. On September 4, 2019, the Company closed an amended and restated loan agreement with the Private Shareholder to extend the loan's maturity date from September 4, 2020 to September 4, 2022.

On February 11, 2021, the Company issued 5,312,386 common shares of the Company at a price of \$0.65 per share in settlement of the \$3,453,051 principal and interest owing on the Private Shareholder Loan, thereby settling the Private Shareholder Loan.

The net change in the loans payable is as follows:

	March 31, 2021	December 31, 2020
Balance – beginning of period	\$ 3,435,242	\$ 8,071,944
Cash repayment – accrued interest	-	(870,919)
Conversion of debt for shares – principal	(3,174,787)	(4,000,000)
Conversion of debt for shares – accrued interest	(278,264)	(262,521)
Accrued interest	26,713	497,132
Foreign exchange movement	(11,663)	(394)
Loss on settlement	2,759	-
Reclassified to interest payable	-	(63,660)
Balance – end of period	\$ -	\$ 3,371,582

FPX NICKEL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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11. SHARE CAPITAL

(a) Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of first and second preferred shares. None of the preferred shares have been issued.

(b) Issued and outstanding

On February 11, 2021, the Company issued 5,312,386 common shares of the Company at a price of \$0.65 per share in settlement of the \$3,453,051 principal and interest owing on the Private Shareholder Loan, thereby settling the Private Shareholder Loan and extinguishing the fixed and specific charge against the Company's Decar mineral claims.

During the three months ended March 31, 2021, the Company issued 1,200,000 shares as the result of a like number of options being exercised. The amount recorded as share capital was \$357,560 which amount consisted of cash of \$207,500 and an additional sum of \$150,060, the latter being the fair value originally attributable to the options upon vesting, which amount was removed from other equity reserve.

On March 11, 2020, the Company closed a private placement of 8,333,332 shares at a price of \$0.18 per share, for gross proceeds of \$1,500,000. Finders' fees of \$22,140 were paid on a portion of the proceeds.

On October 20, 2020, the Company closed a private placement of 8,963,636 shares at a price of \$0.55 per share, for gross proceeds of \$4,930,000. Finders' fees of \$135,210 were paid on a portion of the proceeds.

On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of \$0.55 per share in settlement of the \$4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan.

During the year ended December 31, 2020, the Company issued 1,200,000 shares as the result of a like number of options being exercised. The amount recorded as share capital was \$237,910 which amount consisted of cash of \$145,000 and an additional sum of \$92,910, the latter being the fair value originally attributable to the options upon vesting, which amount was removed from other equity reserve.

(c) Stock options

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, officers, employees and consultants of the Company at exercise prices determined by their market value on the date of the grant. The options vest immediately on the date of the grant or as otherwise determined at the discretion of the Board.

On February 10, 2021, the Company granted an employee 250,000 options to purchase shares at an exercise price of \$0.80 per share, all of which vested immediately. The options will expire on February 10, 2026.

Stock option transactions during the periods ended March 31, 2021 and December 31, 2020, and the number of stock options outstanding and exercisable at March 31, 2021 are summarized as follows:

FPX NICKEL CORP.

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11. SHARE CAPITAL *(continued)*

(c) Stock options *(continued)*

	Number of Options	Weighted- Average Exercise Price (\$)	Weighted-Average Contractual Remaining Life (Years)
Balance, December 31, 2019	12,700,000	0.15	2.81
Granted	3,350,000	0.22	
Exercised	<u>(1,200,000)</u>	0.12	
Balance, December 31, 2020	14,850,000	0.17	2.43
Granted	250,000	0.80	
Exercised	<u>(1,200,000)</u>	0.17	
Balance, March 31, 2021	<u>13,900,000</u>	0.18	2.33
Exercisable at March 31, 2021	<u>13,900,000</u>		

Summary of stock options outstanding at March 31, 2021:

Number Outstanding	Exercise Price (\$)	Expiry Date
1,300,000	0.10	May 12, 2021
2,300,000	0.15	March 30, 2022
250,000	0.15	September 6, 2022
250,000	0.10	November 21, 2022
3,550,000	0.15	March 23, 2023
2,900,000	0.20	March 28, 2024
3,100,000	0.20	March 11, 2025
250,000	0.80	February 10, 2026
<u>13,900,000</u>		

(d) Share-based compensation

The weighted average fair value of stock options granted during the periods ended March 31, 2021 and December 31, 2020 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	2020
Expected dividend yield	0%	0%
Risk-free interest rate	0.49%	0.54%
Expected stock price volatility	123%	133%
Expected life of options	5 years	5 years
Weighted average fair value per stock option	<u>\$0.64</u>	<u>\$0.16</u>

Share-based compensation expense of \$159,394 was recorded during the three months ended March 31, 2021 (2020 - \$435,937). The offsetting credit was to other equity reserve.

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11. SHARE CAPITAL (continued)

(d) Share-based compensation (continued)

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

(e) Other equity reserve

The following is a summary of the components of other equity reserve at March 31, 2021 and December 31, 2020:

	March 31, 2021	December 31, 2020
Share options	\$ 6,536,242	\$ 6,526,908
Finders' warrants	357,647	357,647
Total other equity reserve	\$ 6,893,889	\$ 6,884,555

12. LOSS PER SHARE

Loss per share has been calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share has not been calculated as it is anti-dilutive.

13. RELATED PARTY TRANSACTIONS

At March 31, 2021, liabilities included \$77,630 (December 31, 2020 – \$51,591) due to related parties. Amounts due to related parties are unsecured and non-interest bearing.

During the three months ended March 31, 2021, the Company entered into the following related party transactions:

- paid or accrued \$68,750 (2020 - \$37,500) in fees to Martin Turenne Consulting Ltd., a private company controlled by Martin Turenne, the Company's President and Chief Executive Officer, for management and administrative services.
- paid or accrued \$40,031 (2020 - \$28,625) in fees to Adera Company Management Inc., a private company controlled by J. Christopher Mitchell, the Company's Chief Financial Officer and Corporate Secretary, for management and administrative services.
- paid or accrued \$9,450 (2020 - \$18,225) in fees to P.J. Marshall Consulting Inc., a private company controlled by Peter Marshall, a Director of the Company, for advisory services.

The amounts charged to the Company for the services provided have been determined by negotiations between the parties and are covered by a signed agreement. These services were in the normal course of operations and management believes that they were incurred on a basis consistent with comparable transactions between other non-related parties.

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*(Unaudited)**(Stated in Canadian Dollars)***13. RELATED PARTY TRANSACTIONS** *(continued)*

The Company considers its Officers to be key management personnel. Amounts paid to the key management personnel during the three months ended March 31, 2021 and 2020 are shown in the following table:

	2021		2020	
Salaries or fees	\$	108,781	\$	66,125
Share-based payments		-		112,480
Total key management personnel	\$	108,781	\$	178,605

14. COMMITMENTS

As of March 31, 2021, the Company's aggregate commitments are as follows:

	< 1 year	1 – 3 years	4 -6 years	Total
Accounts payable and accrued liabilities	\$ 151,530	\$ -	\$ -	\$ 151,530
Office lease - undiscounted	37,384	12,623	-	50,007
CEBA loan payable	-	-	60,000	60,000
Totals	\$ 188,914	\$ 12,623	\$ 60,000	\$ 261,537

During the period ended March 31, 2021, the Company received a \$20,000 (year ended December 31, 2020 - \$40,000) Canada Emergency Business Account ("CEBA") loan. During the initial term expiring on December 31, 2022, the Company is not required to repay any portion of the loan and no interest will be paid.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT*Fair value*

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

	March 31, 2021		December 31, 2020	
	Level 1		Level 1	
Cash and cash equivalents	\$	5,413,099	\$	5,835,074

The carrying value of receivables excluding GST and tax credits, reclamation bonds and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statements of financial position and arises from the Company's cash and cash equivalents, receivables, excluding GST receivable and British Columbia mineral exploration tax credits receivable, and reclamation deposits.

The Company's cash and cash equivalents are held in accounts with a Canadian chartered bank and a brokerage firm. Cash in excess of the amounts needed to fund the Company's day-to-day operating expenses is invested in securities guaranteed by the federal or British Columbia government. The reclamation deposits are in the form of Guaranteed Investment Certificates pledged to the Minister of Finance for the Province of British Columbia to cover the estimated cost of reclaiming the Company's exploration projects.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2021, the Company had cash and cash equivalent balances of \$5,413,099 to settle current liabilities of \$186,531. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash and cash equivalents balances and periodically monitors the investments it makes and is satisfied with the credit ratings of the financial institutions it deals with and the securities in which its funds are invested.

(b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

Sensitivity Analysis

The Company works toward its capital management objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile. Its capital management objectives have not changed over the period presented.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited)

(Stated in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

The carrying value of cash and cash equivalents, receivables, reclamation deposits, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

The Company is not subject to any financial covenants. The Company monitors its financing requirements through cash forecasting, consideration of current economic conditions and reviews of economic and political commentaries in respect of future developments. Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to issue equity include the amount of cash sought, the availability of these sources and their terms.

16. CAPITAL MANAGEMENT

At March 31, 2021, the Company had working capital of \$5,351,200 (December 31, 2020 - \$5,702,379). The Company manages its cash, cash equivalents and common shares as capital. The Company's objectives in managing its capital are to:

- Maintain sufficient cash and cash equivalents to last a minimum of one year;
- Have the flexibility to achieve its on-going business objectives, including but not limited to funding work programs on its exploration and evaluation assets and pursuing new business opportunities as they arise, and
- Minimize dilution to existing shareholders.

The Directors have not specified a quantitative return on capital criteria for management, but rather rely on the expertise of management to sustain future development of the business.

The Company's exploration and evaluation assets are in the development stage and the Company does not generate a positive cash flow. As a consequence, the Company relies on accessing the capital markets to obtain the funds needed to carry on its business. It is the Company's intention to utilize its existing working capital and to raise additional funds as needed. The additional funds will be raised primarily through the issuance of its securities in private placements.

17. SUBSEQUENT EVENTS

On April 7, 2021, the Company closed a bought deal public offering of 24,769,800 common shares of the Company at an offering price of \$0.65 per common share for gross proceeds of \$16,100,370. The underwriters received (a) a cash commission equal to 6% of the gross proceeds from the offering and (b) a total of 1,486,188 warrants entitling the underwriters to acquire common shares of the Company for a period up to April 7, 2023 at an exercise price of \$0.65 per share.

On April 9, 2021, the Company granted a total of 3,100,000 stock options to the Company's directors, officers, advisors and employees. The stock options vested immediately, have an exercise price of \$0.70 per share and will expire on April 9, 2026.

Subsequent to March 31, 2021, the Company issued 1,300,000 shares as the result of a like number of options being exercised, resulting in gross proceeds to the Company of \$130,000.