# Bonterra Resources Inc.

## Consolidated Financial Statements

For the Year Ended December 31, 2020, Seven Month Period Ended December 31, 2019 and Year Ended May 31, 2019

(Expressed in Canadian Dollars)

BONTERRA

Bonterra Resources Inc.

For the Year Ended December 31, 2020, Seven Month Period Ended December 31, 2019 and Year Ended May 31, 2019

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**Consolidated Financial Statements**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Bonterra Resources Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards (“IFRS”). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Company maintains systems of internal control that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Pascal Hamelin” (signed)
Chief Executive Officer

“Johnny Oliveira” (signed)
Chief Financial Officer

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# Independent Auditor's Report

To the Shareholders of Bonterra Resources Inc.

## Opinion

We have audited the consolidated financial statements of Bonterra Resources Inc. ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2020, December 31, 2019 and May 31, 2019 and the consolidated statements of comprehensive loss, changes in equity and cash flow for the year ended December 31, 2020, for the seven month period ended December 31, 2019 and for the year ended May 31, 2019, and 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, December 31, 2019 and May 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2020, for the seven month period ended December 31, 2019 and for the year ended May 31, 2019 in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We 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 is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty 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:

- 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 the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting Standards, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Pejman Mahlooji.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants**
**Vancouver, Canada**
**April 27, 2021**

Bonterra Resources Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| **As at,** | **December 31, 2020** | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Current** | | | |
| Cash (note 27) | **$ 12,440,180** | $ 18,762,439 | $ 9,806,591 |
| Marketable securities (note 9) | **20,000** | 20,000 | 20,000 |
| Receivables (notes 10 and 16) | **1,550,152** | 1,219,824 | 1,750,282 |
| Inventory (note 11) | **932,104** | - | 1,670,668 |
| Prepaid expenses | **-** | 35,956 | 343,149 |
| | **14,942,436** | 20,038,219 | 13,590,690 |
| Security and contract deposits (note 12) | **1,902,600** | 4,732,891 | 4,762,701 |
| Property, plant and equipment (notes 13, 14 and 24) | **39,371,322** | 40,699,334 | 39,590,787 |
| | **$ 56,216,358** | $ 65,470,444 | $ 57,944,178 |
| **Liabilities** | | | |
| **Current** | | | |
| Trade and other payables (notes 15, 16 and 27) | **$ 5,875,214** | $ 6,961,957 | $ 8,663,645 |
| Mining taxes payable (note 17) | **-** | - | 1,894,000 |
| Current portion of long-term debt (note 18) | **368,793** | 499,637 | 653,875 |
| Derivative liability (note 19) | **-** | - | 3,165,000 |
| Flow-through premium liability (note 20) | **-** | 4,454,000 | 2,195,000 |
| | **6,244,007** | 11,915,594 | 16,571,520 |
| Asset retirement obligations (note 21) | **5,844,000** | 5,704,000 | 5,624,000 |
| Long-term debt (note 18) | **351,865** | 719,126 | 891,718 |
| | **12,439,872** | 18,338,720 | 23,087,238 |
| **Shareholders' Equity** | | | |
| **Share Capital** (note 22) | **242,523,018** | 227,989,584 | 199,432,593 |
| **Share-based Payments Reserve** (note 22) | **16,820,388** | 14,026,388 | 12,731,888 |
| **Deficit** | **(215,566,920)** | (194,884,248) | (177,307,541) |
| | **43,776,486** | 47,131,724 | 34,856,940 |
| | **$ 56,216,358** | $ 65,470,444 | $ 57,944,178 |

**Going Concern** (note 2)
**Commitments and Contingent Liabilities** (note 27)
**Subsequent Events** (notes 10, 11, 12, 14, 22(d), 27 and 28)

Approved on behalf of the Board:

*"Peter O'Malley"*
……………………………… Director
Peter O'Malley

*"Matthew Happyjack"*
……………………………… Director
Matthew Happyjack

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

Bonterra Resources Inc.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

| For the, | Year ended December 31, 2020 | Seven month period ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| **Expenses** | | | |
| Consulting fees (note 7) | **$ (254,783)** | $ 46,719 | $ 2,423,393 |
| Depreciation (note 13) | **-** | - | 73,096 |
| Exploration and evaluation (notes 7, 11, 14 and 16) | **18,815,196** | 11,866,377 | 30,263,661 |
| Mill care and maintenance (note 11) | **962,515** | 2,974,198 | - |
| Salaries, management and director fees (note 16) | **1,300,972** | 1,076,724 | 3,186,350 |
| Office and general | **362,274** | 350,250 | 404,794 |
| Professional fees (notes 7 and 16) | **442,738** | 456,193 | 1,471,386 |
| Rent (note 16) | **84,370** | 34,461 | 222,954 |
| Share-based payments (notes 16 and 22) | **2,794,000** | - | 4,030,000 |
| Shareholder communications and investor relations | **281,734** | 545,305 | 1,660,319 |
| Transfer agent and filings fees | **86,865** | 45,257 | 200,065 |
| Travel | **80,125** | 188,285 | 702,548 |
| **Loss Before Other Items** | **(24,956,006)** | (17,583,769) | (44,638,566) |
| **Other Items** | | | |
| Recovery of flow-through premium liability (note 20) | **4,454,000** | 2,701,000 | 5,353,531 |
| Net interest income (expense) | **(40,666)** | 13,834 | (99,402) |
| Part XII.6 tax and penalties (expense) recovered (note 20) | **-** | (6,773) | 213,465 |
| Loss on derivative liability (note 19) | **-** | (876,046) | (973,112) |
| Accretion expense (note 21) | **(140,000)** | (80,000) | (91,000) |
| Impairment of inventory (note 11) | **-** | (1,401,953) | - |
| Realized gain on marketable securities (note 9) | **-** | - | 57,975 |
| Unrealized loss on marketable securities (note 9) | **-** | - | 400,000 |
| Gain on spin-out of Larder Lake assets (note 6) | **-** | - | 2,359,400 |
| Impairment of mineral properties (note 7) | **-** | - | (54,289,635) |
| **Net Loss from Continuing Operations** | **(20,682,672)** | (17,233,707) | (91,707,344) |
| **Net Loss from Discontinued Operations (note 24)** | **-** | (343,000) | (9,136,219) |
| **Net Loss and Comprehensive Loss for the year/period** | **$ (20,682,672)** | $ (17,576,707) | $ (100,843,563) |
| **Basic and Diluted Loss Per Share [1]** | **$ (0.26)** | $ (0.25) | $ (2.42) |
| **Basic and Diluted Loss Per Share - Continuing Operations [1]** | **$ (0.26)** | $ (0.24) | $ (2.20) |
| **Basic and Diluted Loss Per Share - Discontinued Operations [1]** | **$ (0.00)** | $ (0.00) | $ (0.22) |
| **Weighted Average Number of Common Shares Outstanding – Basic and Diluted (000's) [1]** | **78,286** | 71,203 | 41,742 |

[1] All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

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

Bonterra Resources Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

| | Share Capital | | Share-based | | |
|---|---|---|---|---|---|
| | Number of Shares[1] | Share Capital | Payments Reserve | Deficit | Total |
| **Balance, May 31, 2018** | 22,809,523 | $ 89,970,687 | $ 7,810,473 | $ (76,463,978) | $ 21,317,182 |
| Private placements | 23,752,600 | 58,658,186 | - | - | 58,658,186 |
| Flow-through premium liability | - | (4,079,000) | - | - | (4,079,000) |
| Share issue costs | - | (3,899,486) | - | - | (3,899,486) |
| Share-based payments | - | - | 4,030,000 | - | 4,030,000 |
| Shares issued on exercise of options | 20,000 | 34,000 | - | - | 34,000 |
| Transfer of options fair value on exercise | - | 38,447 | (38,447) | - | - |
| Shares issued on exercise of warrants | 333,351 | 1,166,839 | - | - | 1,166,839 |
| Transfer of warrant fair value on exercise | - | 195,138 | (195,138) | - | - |
| Shares issued for exploration and evaluation expenditure | 410,000 | 1,619,500 | - | - | 1,619,500 |
| Shares issued for debt | 250,000 | 500,000 | - | - | 500,000 |
| Consideration issued for acquisition of Metanor | 16,351,312 | 64,587,682 | 1,125,000 | - | 65,712,682 |
| Distribution to shareholders of Gatling shares | - | (9,359,400) | - | - | (9,359,400) |
| Net loss and comprehensive loss for the year | - | - | - | (100,843,563) | (100,843,563) |
| **Balance, May 31, 2019** | 63,926,786 | $ 199,432,593 | $ 12,731,888 | $ (177,307,541) | $ 34,856,940 |
| Private placements | 13,466,736 | 37,255,808 | - | - | 37,255,808 |
| Flow-through premium liability | - | (4,960,000) | - | - | (4,960,000) |
| Share issue costs | - | (2,644,317) | - | - | (2,644,317) |
| Fair value of warrants issued on private placements | - | (1,426,000) | 1,426,000 | - | - |
| Shares issued on exercise of options | 100,000 | 200,000 | - | - | 200,000 |
| Transfer of options fair value on exercise | - | 131,500 | (131,500) | - | - |
| Net loss and comprehensive loss for the period | - | - | - | (17,576,707) | (17,576,707) |
| **Balance, December 31, 2019** | **77,493,522** | **$ 227,989,584** | **$ 14,026,388** | **$ (194,884,248)** | **$ 47,131,724** |
| Private placements | **13,043,478** | **15,000,000** | **-** | **-** | **15,000,000** |
| Share issue costs | **-** | **(477,966)** | **-** | **-** | **(477,966)** |
| Shares issued for exploration and evaluation expenditure | **15,000** | **11,400** | **-** | **-** | **11,400** |
| Share-based payments | **-** | **-** | **2,794,000** | **-** | **2,794,000** |
| Net loss and comprehensive loss for the year | **-** | **-** | **-** | **(20,682,672)** | **(20,682,672)** |
| **Balance, December 31, 2020** | **90,552,000** | **$ 242,523,018** | **$ 16,820,388** | **$ (215,566,920)** | **$ 43,776,486** |

[1] All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

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

Bonterra Resources Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| For the, | Year ended December 31, 2020 | Seven month period ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net loss for the year/period | $ **(20,682,672)** | $ (17,576,707) | $ (100,843,563) |
| Items not involving cash | | | |
| Depreciation | **1,528,000** | 939,000 | 1,131,537 |
| Share-based payments | **2,794,000** | - | 4,030,000 |
| Shares issued for exploration and evaluation | **11,400** | - | 1,619,500 |
| Recovery of flow-through premium liability | **(4,454,000)** | (2,701,000) | (5,353,531) |
| Accretion expense | **140,000** | 80,000 | 91,000 |
| Loss on derivative liability | - | 876,046 | 973,112 |
| Shares issued for debt | - | - | 500,000 |
| Gain on reversal of flow-through indemnity | - | - | (243,794) |
| Impairment of inventory | - | 1,401,953 | - |
| Impairment of mineral properties | - | - | 54,289,635 |
| Gain on spin-out of Larder Lake assets | - | - | (2,359,400) |
| Realized loss on marketable securities | - | - | (57,975) |
| Unrealized loss on marketable securities | - | - | (400,000) |
| Changes in non-cash working capital | | | |
| Receivables | **(330,328)** | 530,458 | 1,925,208 |
| Inventory | **(932,104)** | 268,715 | 2,304,332 |
| Prepaid expenses | **35,956** | 307,193 | 227,570 |
| Security and contract deposits | **2,830,291** | 29,810 | 2,300 |
| Accounts payable and accrued liabilities | **(1,086,743)** | (1,931,488) | (12,424,161) |
| Mining taxes payable | - | (1,894,000) | - |
| **Cash Used in Operating Activities** | **(20,146,200)** | (19,670,020) | (54,588,230) |
| **Investing Activities** | | | |
| Sale of marketable securities | - | - | 1,257,975 |
| Purchase of property, plant and equipment | **(169,028)** | (1,836,347) | (706,620) |
| Cash acquired on acquisition of Metanor | - | - | 1,230,620 |
| Cash paid on acquisition of Metanor | - | - | (4,000,000) |
| Cash included in spin-out of Larder Lake assets | - | - | (7,000,000) |
| **Cash Used in Investing Activities** | **(169,028)** | (1,836,347) | (9,218,025) |
| **Financing Activities** | | | |
| Shares and units issued for cash | **15,000,000** | 37,455,808 | 59,859,025 |
| Share issuance costs | **(477,966)** | (2,644,317) | (3,899,486) |
| Settlement of derivative liability | - | (4,041,046) | (3,708,112) |
| Payment of long-term debt | **(529,065)** | (308,230) | (775,015) |
| **Cash Provided by Financing Activities** | **13,992,969** | 30,462,215 | 51,476,412 |
| **(Outflow) Inflow of Cash** | **(6,322,259)** | 8,955,848 | (12,329,843) |
| **Cash, Beginning of Year/Period** | **18,762,439** | 9,806,591 | 22,136,434 |
| **Cash, End of Year/Period** | $ **12,440,180** | $ 18,762,439 | $ 9,806,591 |

Supplemental Disclosure with Respect to Cash Flows (note 23)

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

## 1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Bonterra Resources Inc. (the "Company") is an exploration stage company incorporated on May 1, 2007, under the laws of the province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties in the province of Québec, Canada. The Company's common shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BTR". The Company's shares also trade on the OTC Exchange in the United States under the symbol "BONXF" and on the Frankfurt Stock Exchange under the symbol "9BR2". The Company's head office and principal business address is 2872 Sullivan Rd, Suite 2 Val-d'Or, Quebec, Canada, J9P 0B9.

On November 6, 2018, the Company consolidated its common shares on a one new share for ten old shares basis. All share and per share amounts have been revised to reflect the consolidation.

On January 1, 2020, the Company amalgamated the parent Company with its wholly owned subsidiary Metanor Resources Inc. ("Metanor"). This amalgamation was done for administrative purposes and will have no material impact on the consolidated financial statements.

## 2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company incurred a comprehensive loss of $20,682,672 for the year ended December 31, 2020 (Seven month period ended December 31, 2019 - $17,576,707 and year ended May 31, 2019 - $100,843,563) and has an accumulated deficit of $215,566,920 at December 31, 2020 (2019 - $194,884,248 and May 31, 2019 - $177,307,541). As at December 31, 2020, the Company had working capital of $8,698,429 (2019 - $8,122,625 and May 31, 2019 - deficiency of $2,980,830). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the existence of economically recoverable mineral resources, the ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation projects or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

During the year ended December 30, 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

## 3. BASIS OF PREPARATION

a) 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 ("IASB").

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 27, 2021.

b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"). These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout by the Company for purposes of these consolidated financial statements.

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary Metanor (collectively the "Group") as at December 31, 2019 and May 31, 2019 and for the seven month period from June 1, 2019 to December 31, 2019. Control is achieved when the Company has exposure to, or has rights to, variable returns from an investee as well as the ability to affect those returns through the power to direct their relevant activities. On January 1, 2020, the Company amalgamated the parent Company with its wholly owned subsidiary Metanor.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of control or up to the effective date of loss of control, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

b) Cash

Cash includes cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

c) Exploration and evaluation expenditures

Exploration and evaluation expenditures, including acquisition costs, are expensed in the year in which they are incurred. Mining exploration tax credits for certain exploration expenditures incurred are recorded against exploration and evaluation expenditures when received.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property acquisition costs, they are valued at the closing share price on the date of issuance. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded upon payment.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and development costs are capitalized to "mines under construction" on the statement of financial position.

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

d) Asset retirement obligations

An obligation to incur decommissioning and site rehabilitation costs ("Asset retirement obligations") occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Asset retirement obligations are recorded as liabilities when those obligations are incurred and are measured as the present value, if a reasonable estimate of the expected costs to settle the liability can be determined, discounted at a current pre-tax rate specific to the liability. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing or the amount of the original estimate of the undiscounted cash flows are accounted for as part of the carrying amount of the related long-lived asset. The carrying amount of the Asset retirement obligations is reviewed to reflect current estimates and changes in the discount rate.

e) Inventory

Inventory, comprised of materials, supplies, gold doré and gold in-circuit are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and selling costs.

For the above items, cost is determined on the following basis:

- Gold doré inventory includes doré bars in transit to, or being held at the refineries and is valued at average production cost;
- Gold in-circuit is valued at the average cost of production of the material that is currently in the process of being converted to a gold doré;
- Materials and supplies, including mine and mill operating supplies, are valued using the weighted average cost.

Any provision for obsolescence is determined by reference to specific items of inventory. A review is undertaken at each reporting period to determine the extent of any provision for obsolescence. The average cost of production includes all costs directly attributable to the mineral extraction and processing process, including the systematic allocation of general fees incurred during the process.

f) Property, plant and equipment

Producing properties
Producing properties include the mine development expenditures, estimated costs of restoring the sites of the Company's producing and mines under development and are measured at cost less accumulated depletion and impairment.

Mine development expenditures
Mine development costs, which include vertical and horizontal development of the mine infrastructure, incurred after the commencement of production are capitalized to the extent that these costs benefit the entire deposit. Costs incurred to access single areas of the deposit are expensed as incurred.

Plant and equipment
The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the borrowing costs incurred during its construction for the asset. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

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

f) Property, plant and equipment (Continued)

Repairs and maintenance of plant and equipment are expensed as incurred. Costs incurred to enhance the service potential of plant and equipment are capitalized and depreciated over the remaining useful life of the improved asset.

Depreciation and depletion
Management determines the appropriate method to depreciate mining assets over their estimated useful life taking into account the nature of a particular deposit and the method of mining that deposit. To achieve this, the following calculation method is used:

- Producing properties, including mine development expenditures and deferred stripping costs, are amortized over the life-of-mine using the unit-of-production method. The depreciation rate of producing properties is calculated based on the number of ounces sold. The life-of-mine is based on the proven and probable mineral reserves and a portion of measured, indicated and inferred resources that the Company considers highly likely to be able to convert into reserves. The depreciation calculation takes into account the development costs that will be incurred in the future to be able to access these reserves and resources.

The major categories of property, plant and equipment are depreciated on a units-of-production, straight-line basis or declining balance as follows:

| | |
|---|---|
| Mill infrastructure and related equipment | 5 – 15 years straight line and unit-of-production |
| Underground infrastructure and related equipment | 5 – 15 years straight line and unit-of-production |
| Exploration and related equipment | 10% declining balance |
| Office equipment | 20% declining balance |
| Leasehold improvements | Straight-line over lease term |

The residual value, depreciation method and the useful life of each asset are reviewed at least at each reporting period.

The carrying amount of an item of property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognized.

g) Post-employment benefits and short-term employee benefits

The Company provides post-employment benefits through a defined contribution plan. A defined contribution plan is a pension plan under which the Company makes contributions, established according to a percentage of the employee's salary, to an independent entity. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution during the employment period.

Short-term employee benefits, including vacation entitlement, are current liabilities included in "trade and other payables", and are measured at the undiscounted amount that the Company expects to pay.

h) Royalties payable

Royalties payable are recognized initially at fair value in accordance with the terms of each royalty agreement.

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

i) Commercial production

The Company assesses the stage of each mine site to determine when a mine has moved into the commercial production phase. During the production phase of a mine, costs incurred relating to mining assets, additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

j) Financing fees

The financing fees related to long-term debt are presented as an offset to long-term debt and amortized using the effective interest rate method.

k) Provisions and contingent liabilities

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

l) Revenue recognition

When in production, the Company's primary product is gold; other metals produced as part of the extraction process are considered to be by-products arising from the production of gold. Revenue relating to the sale of metals is recognized when control of the metal or related services are transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

When completing a bulk sample for exploration purposes, the Company's primary product remains gold; other metals produced as part of the extraction process are considered to be by-products arising from the production of gold. The net realizable value of the metals is recorded as a reduction of exploration and evaluation expenditures once the metals are poured into a doré bar, with such value being recorded as inventory until the sale of metals is recognized when control of the metal or related services are transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. In determining whether the Company has satisfied a performance obligation, it considers the indicators of the transfer of control, which include, but are not limited to, whether: the Company has a present right to payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the asset.

Revenue also includes consideration relating to shipping and insurance services that the Company arranges and pays for on behalf of customers as required by the terms of certain of the Company's concentrate agreements to bring the goods to the named destination. The Company considers the portion of shipping and insurance services provided after the transfer of control of the concentrate as distinct performance obligations. Accordingly, the Company apportions consideration attributable to these services based on a relative stand-alone pricing basis. The consideration is deferred and recognized over time as the obligations are fulfilled.

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

m) Leases

At inception of a contract, the Company assesses whether the contract is or contains a lease.

At the commencement of the lease, the Company recognizes a right-of-use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The right-of-use asset at inception includes the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is recorded in selling, general, and administrative expenses for all assets except leases of rental equipment, where depreciation is recorded in cost of sales in the consolidated statement of comprehensive loss. Depreciation is recorded on a straight-line basis over the shorter of the term of the lease or the estimated useful life of the underlying asset, commencing when the asset becomes available for use.

Right-of-use assets are reviewed for indicators of impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Where an impairment loss is recognized for a right-of-use asset, the asset is reviewed for possible reversal of the impairment at the end of each subsequent reporting period.

The lease liability is initially measured at the present value of the remaining lease payments that have not been paid at the commencement date, discounted by using the Company's incremental borrowing rate unless the rate implicit in the lease is readily determinable.

Lease payments over the estimated lease term included in the measurement of the lease liability comprise:

- Fixed lease payments, less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and,
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term changes or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to a change in an index, rate, or expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; or,
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

m) Leases (Continued)

The right-of-use asset is presented within property, plant, and equipment and the lease liability is presented within long-term debt (current portion) and long-term debt (non-current portion) on the statement of financial position.

***Short-term leases and leases of low-value assets***
The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments as an expense on a straight-line basis over the lease term.

n) Borrowing costs

Interest and other financing costs that are directly attributable to the acquisition or construction of an asset are capitalized. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Interest and other financing costs that are directly attributable to the acquisition or construction of an asset are capitalized. Capitalization of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are substantially complete.

To the extent that funds are part of general borrowing or are borrowed specifically for the purpose of constructing an asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period. Interest earned on the temporary investment of borrowed funds is deducted from interest paid on the borrowed funds in arriving at the amounts so capitalized.

These costs are amortized on the same basis as the asset. No amounts were capitalized during the last two financial periods.

o) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

p) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share purchase warrants and flow-through shares are classified as equity instruments.

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

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components.

The fair value of the common shares is based on the closing quoted bid price on the announcement date and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded in equity reserves.

q) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

r) Flow-through shares

The Company will from time to time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery of flow-through premium liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are required to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

s) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

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

s) Share-based payments (Continued)

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised share options remain in share-based payments reserve upon their expiry or cancellation.

t) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in comprehensive loss.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in comprehensive loss.

u) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

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

u) Impairment of non-financial assets (Continued)

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income/loss.

v) Financial instruments

i) Classification

The Company classifies its financial instruments in the following categories: at FVTPL, at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Cash, marketable securities and derivative liability are classified as FVTPL, and are initially measured at fair value less transaction costs. They are subsequently measured at fair value and net gains/losses are recognized in the consolidated statement of comprehensive loss.

Receivables, security and contract deposits trade and other payables, and long-term debt are classified as Amortized Cost, and are initially measured at fair value. They are subsequently measured at amortized cost.

There are no financial assets classified as 'FVOCI".

ii) Measurement

*Financial assets and liabilities at amortized cost*
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

*Impairment of financial assets at amortized cost*
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 the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive 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.

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

v) Financial instruments (Continued)

iii) Derecognition

*Financial assets*
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

w) Future accounting policies and policies adopted

i) New accounting standard adopted during the year

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. This amendment did not have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 3, Business Combinations ("IFRS 3") assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. This amendment did not have a material impact on the Company's consolidated financial statements.

Amendments to IFRS 9, *Financial Instruments* ("IFRS 9") and IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7") will affect entities that apply the hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required. This amendment did not have a material impact on the Company's consolidated financial statements.

ii) New accounting standards not yet effective and not yet applied

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2020 and, accordingly, have not been applied in preparing these consolidated financial statements.

IAS 1 was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

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

w) Future accounting policies and policies adopted (Continued)

ii) New accounting standards not yet effective and not yet applied (Continued)

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – ie. a full-cost approach. Such costs include both the incremental costs of the contract (ie. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – ie. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

*Critical judgments in applying accounting policies*

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next fiscal year are discussed below.

a) Title to mineral property interests

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

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

*Critical judgments in applying accounting policies* (Continued)

b) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(c) Going concern risk assessment

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These consolidated financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

(d) Provisions and contingent liabilities

Judgements are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received from previous experience and the probability of a loss being realized. Several of these factors are a source of estimated uncertainty.

e) Establishing cash-generating units ("CGU")

For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of the CGU and the classification of the Company's assets to the determined CGU require significant judgement having a potentially significant incidence on the result of the subsequent impairment analysis. The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company's assets, including its assets classified as common assets.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS** (Continued)

*Critical judgments in applying accounting policies* (Continued)

f) Impairment of long-term assets

The evaluation if an impairment test in accordance with IAS 36 needs to be performed on its long-term assets requires judgement in determining whether it is likely that future economic benefits will be achieved at certain mining properties, which may be based on assumptions about future events or circumstances. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written down in the statement of comprehensive loss in the period when the new information becomes available. During the year ended May 31, 2019, the Company took an impairment of mineral properties of $54,289,635 to bring the value on the statement of financial position to $nil, consistent with its accounting policy under IFRS 6. (See note 7).

g) Leases

The Company is required to make judgments in determining the lease term. Management considers all facts and circumstances, including economic incentives to exercise an extension option and its asset management strategy. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

*Key sources of estimation uncertainty*

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the consolidated financial statements.

a) Asset retirement obligations

The Company assesses its asset retirement obligations annually. Determining these obligations requires significant estimates and assumptions due to the numerous factors that affect the amount ultimately payable. Such factors include estimates of the scope and cost of restoration activities, legislative amendments, known environmental impacts, the effectiveness of maintenance and restoration measures and changes in the discount rate. This uncertainty may lead to differences between the actual expense and the allowance. At the date of the statement of financial position, asset retirement obligations represent management's best estimate of the charge that will result when the actual obligations are terminated.

b) Fair value of derivative liability

As part of the Amending Agreement signed with Sandstorm Gold Ltd. ("Sandstorm") (note 19), Metanor agreed to a minimum stream deal to Sandstorm for its Bachelor and Barry properties. The minimum stream values were recorded at fair value. The fair value as at May 31, 2019 was based on current value due to the short-term duration of these remaining gold deliveries. The important assumptions in the calculation as at May 31, 2019 were as follows:

- Gold price of $1,732.

c) Valuation of flow-through premium

The determination of the valuation of flow-through premium and warrants in equity units is subject to significant judgment and estimates. The flow-through premium is valued as the estimated premium that investors pay for the flow-through feature, being the portion in excess of the market value of shares without the flow-through feature issued in concurrent private placement financing. In the case that the Company did not issue non-flow-through shares together with the flow-through shares, the market value of shares without the flow-through feature will be determined using their closing quoted bid price.

**5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS** (Continued)

*Key sources of estimation uncertainty* (Continued)

d) Mineral reserve estimate

Mineral reserves and resources are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to calculate the reserves and resources that the Company considers highly likely to be able to convert into reserves, which form the life-of-mine of producing mining properties of the Company, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques and recovery rates.

Estimating the quantity and grade of the mineral reserves requires the size, shape and depth of deposits to be determined by analyzing geological data such as the logging and assaying of drill samples. This process may require complex and sophisticated geological models and calculations to interpret the data.

The Company is required to determine and report on the mineral reserves in accordance with the requirements of the Canadian Institute of Mining Standards. Estimates of mineral reserves and resources may change from period to period due to the change in economic assumptions used to estimate mineral reserves and due to additional geological data becoming available during the course of operations. Changes in reported proven and probable mineral reserves and a portion of measured, indicated and inferred resources that the Company expects to convert into reserves may significantly affect the Company's financial results and position in a number of ways, including the following:

Depreciation and amortization charges to the statement of comprehensive loss may change as these are calculated on the unit-of production method, or where the useful economic lives of assets change.

Asset retirement obligations and environmental provisions may change where changes in mineral reserves affect expectations about the timing or cost of these activities.

e) Business combination

Determination of fair value of assets acquired, liabilities assumed and the fair value of purchase consideration requires the use of various estimates made by management.

Classification of a transaction as a business combination depends on whether the assets acquired constitute a business in accordance with the criteria set forth in IFRS 3 Business Combination, which can be a complex judgement.

f) Application of accounting for plan of arrangement and spin-out of Larder Lake assets

Management has accounted for this transaction and distribution under IFRIC 17 – Distribution of Non-Cash Assets, in which the distribution of the assets is recorded as an equity transaction at fair value, with the gain on the distribution recorded in profit or loss. For presentation purposes, because the assets that were transferred did not represent the substantial activity within the Group, management did not follow discontinued operation presentation in the consolidated financial statements.

The Company determined that the fair value of the shares received as consideration from Gatling Exploration Inc. for the Larder Lake project and cash was $0.28 per share, being the closing price of the first day of trading ("Trading Price") of Gatling.

(Expressed in Canadian Dollars)

## 6. SPIN-OUT OF LARDER LAKE ASSETS

On September 24, 2018, the Company completed a plan of arrangement (the "Arrangement") whereby the Company spun out its Larder Lake project assets and liabilities and $7,000,000 in cash (the "Spin-Out") in order to create a new exploration company Gatling Exploration Inc. ("Gatling"), by way of plan of arrangement under the Business Corporations Act (British Columbia). Each holder of common shares of the Company received one Gatling common share for each seven common shares of the Company held.

The Spin-Out is treated as a distribution of non-cash assets and is recorded at the fair value of the assets distributed. A total of 33,426,512 common shares of Gatling were received and distributed. Using a trading price of $0.28, the fair value was $9,359,400.

| | | |
|---|---|---|
| Fair value of Gatling shares received and distributed | $ | 9,359,400 |
| Less carrying value of Larder Lake project assets and liabilities transferred | | - |
| Less cash spun-out | | (7,000,000) |
| Gain on distribution | $ | 2,359,400 |

## 7. ACQUISITION OF METANOR

On September 24, 2018, the Company acquired Metanor Resources Inc. ("Metanor") by way of plan of arrangement (the "Acquisition") under section 192 of the Canada Business Corporations Act. Each holder of Metanor common shares received 0.16039 common shares of the Company for each Metanor share held, for a total of 16,351,312 common shares of the Company. The Company also advanced and subsequently added to its investment $4,000,000 to Metanor prior to closing, with a term of six months and an interest rate of 10% in the event the deal never closed.

The Company determined that the acquisition of Metanor was a business combination in accordance with IFRS 3 *Business Combinations*. The Company incurred transaction costs of $2,206,241 related to the Acquisition of which $1,821,327 were expensed under consulting fees and $384,914 under professional fees during the year ended May 31, 2019. During the year ended December 31, 2020, the Company negotiated a settlement to reduce part of these outstanding consulting fees with a vendor and recorded a recovery of consulting fees of $296,100.

These consolidated financial statements include revenue of $Nil (Seven month period ended December 31, 2019 - $Nil and year ended May 31, 2019 - $3,190,128) and a net loss on discontinued operation of $Nil (Seven month period ended December 31, 2019 - $343,000 and year ended May 31, 2019 - $9,136,219) related to Metanor operations for the year ended December 31, 2020.

(Expressed in Canadian Dollars)

**7. ACQUISITION OF METANOR** (Continued)

The following tables summarizes the fair value of the consideration paid and the fair values of identified assets acquired and liabilities assumed from Metanor.

| | | |
|---|---|---|
| Purchase Price | | |
| Common shares issued | $ | 64,587,682 |
| Loan advanced | | 4,000,000 |
| Replacement stock options issued | | 417,000 |
| Replacement warrants issued | | 708,000 |
| | $ | **69,712,682** |
| Net Assets Acquired and Liabilities Assumed | | |
| Cash | $ | 1,230,620 |
| Marketable securities | | 20,000 |
| Receivables | | 1,930,739 |
| Inventory | | 3,975,000 |
| Prepaid expenses | | 237,467 |
| Security and contract deposits | | 4,765,001 |
| Property, plant and equipment | | 37,579,000 |
| Mineral properties | | 54,289,635 |
| Trade and other payables | | (18,475,472) |
| Mining taxes payable | | (1,894,000) |
| Derivative liability | | (5,900,000) |
| Long-term debt | | (2,512,308) |
| Asset retirement obligations | | (5,533,000) |
| | $ | **69,712,682** |

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its replacement warrants and options issued. The fair value of the replacement warrants and options issued was calculated using the following weighted average assumptions:

| | **Options** | **Warrants** |
|---|---|---|
| Number issued | 505,841 | 4,175,774 |
| Expected life (years) | 1.95 | 0.64 |
| Risk-free interest rate | 2.03% | 1.75% |
| Expected annualized volatility | 58% | 44% |
| Dividend yield | N/A | N/A |
| Stock price at issue date | $3.95 | $3.95 |
| Exercise price | $9.88 | $5.33 |
| Weighted average issue date fair value | $0.82 | $0.17 |

Under IFRS 3, the company recorded the value of $54,289,635 associated with all Metanor's interest in mineral properties to mineral properties on the statement of financial position. The Company's accounting policy under IFRS 6 is to expense all costs related to exploration and evaluation, including the costs associated with acquisition of such mineral properties. The business of exploring for minerals involves a high degree of risk and there can be no assurance that acquired mineral properties will result in profitable mining operations, which leaves the value of such properties to be extremely subjective and unreliable. As a result, the Company has recorded an impairment on these mineral properties acquired from Metanor for the year ended May 31, 2019 of $54,289,635 to bring the value on the statement of financial position to $nil, consistent with its accounting policy under IFRS 6.

(Expressed in Canadian Dollars)

## 8. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash, marketable securities and derivative liability are classified as FVTPL; receivables and security and contract deposits as amortized cost; and trade and other payables, and long-term debt as amortized cost.

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value 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 asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by levels within the fair value hierarchy as at December 31, 2020 and 2019 and May 31, 2019:

| **December 31, 2020** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash | **$ 12,440,180** | **$ -** | **$ -** | **$ 12,440,180** |
| Marketable securities | **$ 10,000** | **$ -** | **$ 10,000** | **$ 20,000** |

| December 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash | $ 18,762,439 | $ - | $ - | $ 18,762,439 |
| Marketable securities | $ 10,000 | $ - | $ 10,000 | $ 20,000 |

| May 31, 2019 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash | $ 9,806,591 | $ - | $ - | $ 9,806,591 |
| Marketable securities | $ 10,000 | $ - | $ 10,000 | $ 20,000 |

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $1,525,669 (2019 - $1,109,691 and May 31, 2019 - $1,689,083) owing from the Canada Revenue Agency and Revenu Québec. Management of the Company believes it has minimal credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The current financial liabilities of the Company as of December 31, 2020 equal $6,244,007 (2019 - $11,915,594 and May 31, 2019 - $16,571,520). The cash available is sufficient to meet the Company's financial obligations at December 31, 2020.

**8. FINANCIAL INSTRUMENTS** (Continued)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

*i) Currency risk* – The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.
*ii) Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates. Long-term debt bears interest at fixed rates, thus exposing the Company to the risk of changes in fair value arising from interest rate fluctuations.
*iii) Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to other price risk on its marketable securities and the gold price.

d) Capital management

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

The Company considers its capital to be equity, which is comprised of share capital, share based payments reserve and deficit, which as at December 31, 2020 totalled $43,776,486 (2019 –$47,131,724 and May 31, 2019 - $34,856,940).

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2020, seven month period ended December 31, 2019 and year ended May 31, 2019.

**9. MARKETABLE SECURITIES**

As at December 31, 2020, marketable securities consisted of shares in publicly-traded or reporting issuer companies with a cost of $20,000 (2019 and May 31, 2019 - $20,000) and a fair value of $20,000 (2019 and May 31, 2019 - $20,000). During the year ended December 31, 2020, the Company recorded a realized gain of $Nil (Seven month period ended December 31, 2019 - $Nil, Year ended May 31, 2019 - $57,975) an unrealized realized gain of $Nil (Seven month period ended December 31, 2019 - $Nil, Year ended May 31, 2019 – $400,000) on the sale of marketable securities for net proceeds of $Nil (Seven month period ended December 31, 2019 - $nil Year ended May 31, 2019 - $1,257,975).

(Expressed in Canadian Dollars)

## 10. RECEIVABLES

| As at, | December 31, 2020 | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| Sales tax receivable | **$ 1,525,669** | $ 1,109,691 | $ 1,689,083 |
| Other receivables | **24,483** | 110,133 | 61,199 |
| Total receivables | **$ 1,550,152** | $ 1,219,824 | $ 1,750,282 |

Below is an aged analysis of the Company's other receivables:

| As at, | December 31, 2020 | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| 1 -90 days | **$ 24,483** | $ 92,492 | $ 6,899 |
| Over 90 days | **-** | 17,641 | 54,300 |
| **Total other receivables** | **$ 24,483** | $ 110,133 | $ 61,199 |

At December 31, 2020 and 2019 and May 31, 2019, the Company anticipates full recovery of these receivables and therefore no allowance has been recorded against these receivables. The credit risk on the receivables has been further discussed in note 8(a). The Company holds no collateral for any receivable amounts outstanding as at December 31, 2020 and 2019 and May 31, 2019. Subsequent to December 31, 2020, the Company has received $1,135,000 of the sales tax receivable and all of the other receivables outstanding as at December 31, 2020.

## 11. INVENTORY

| As at, | December 31, 2020 | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| Gold and silver finished goods | **$ 932,104** | **$ -** | $ - |
| Materials and supplies | **-** | - | 1,670,668 |
| Total | **$ 932,104** | **$ -** | $ 1,670,668 |

Included in inventory as at December 31, 2020 is precious metal inventory of 376.102 ounces of gold and 166.132 ounces of silver from the Company's bulk sample during the year ended December 31, 2020 valued at its net realizable value ("NRV") of $932,104. Subsequent to December 31, 2020, this precious metal inventory was sold for proceeds of $932,104.

Included in material and supplies as at December 31, 2019 and May 31, 2019 are supplies related to underground mining and milling and safety equipment used in mining and exploration. During the year ended May 31, 2019, through the acquisition of Metanor (note 7), the Company acquired inventory of $1,787,000 and gold inventory of $2,188,000. Included in mill care and maintenance and exploration and evaluation expenditures for the year ended December 31, 2020 is $Nil (Seven month period ended December 31, 2019 - $208,715 and year ended May 31, 2019 - $116,332) and $Nil (Seven month period ended December 31, 2019 - $60,000 and year ended May 31, 2019 - $Nil) respectively of inventory acquired through the acquisition of Metanor. During the seven month period ended December 31, 2019, the Company reviewed the inventory listing and determined that most items would not be used in the near future and that all items remaining were of an immaterial net realizable value to the Company. As a result, the company recorded an impairment of inventory of $Nil during the year ended December 31, 2020 (Seven month period ended December 31, 2019 - $1,401,953 and year ended May 31, 2019 - $Nil) to its net realizable value of $nil (2019 - $Nil and May 31, 2019 - $1,670,668).

(Expressed in Canadian Dollars)

## 12. SECURITY AND CONTRACT DEPOSITS

As at December 31, 2020, the Company had $1,902,600 (2019 - $4,732,891 and May 31, 2019 - $4,762,701) in deposits with the Government of Quebec for the settlement of asset retirement obligations and security deposits, comprised of $Nil (2019 and May 31, 2019 - $4,000,104) for the mill, $Nil (2019 and May 31, 2019 - $394,897) for the Barry site, $144,600 (2019 - $337,890 and May 31, 2019 - $367,700) in deposits with Hydro Quebec and $1,758,000 (2019 and May 31, 2019 - $Nil) to a third party insurance provider to cover the Company's bonds with the Government of Quebec. During the year ended December 31, 2020, the Company engaged an insurance provider to cover the Company's bonds with the Government of Quebec. Under this arrangement, the Company was required to put 40% of the bonds value up as collateral to the insurance provider being $1,758,000. In return, the Company received the deposits with the Government of Quebec of $4,395,001. Subsequent to December 31, 2020, the insurance provider agreed to reduce the collateral required from 40% of the bonds value to 30%. As a result, $439,500 was received by the Company.

## 13. PROPERTY, PLANT AND EQUIPMENT

| Cost | Mill infrastructure and related equipment | Underground infrastructure and related equipment | Exploration and related equipment | Corporate Office | Total |
|---|---|---|---|---|---|
| Balance, May 31, 2018 | $ - | $ - | $ 3,284,787 | $ 122,708 | $ 3,407,495 |
| Acquisition of Metanor | 11,601,600 | 22,195,400 | 3,782,000 | - | 37,579,000 |
| Additions | - | - | 223,500 | 375 | 223,875 |
| Disposal | - | - | (200,000) | (123,083) | (323,083) |
| Balance, May 31, 2019 | $ 11,601,600 | $ 22,195,400 | $ 7,090,287 | $ - | $ 40,887,287 |
| Additions | 262,170 | - | 1,785,377 | - | 2,047,547 |
| **Balance, December 31, 2019** | **$ 11,863,770** | **$ 22,195,400** | **$ 8,875,664** | **$ -** | **$ 42,934,834** |
| **Additions** | **-** | **-** | **199,988** | **-** | **199,988** |
| **Balance, December 31, 2020** | **$ 11,863,770** | **$ 22,195,400** | **$ 9,075,652** | **$ -** | **$ 43,134,822** |
| **Depreciation** | | | | | |
| Balance, May 31, 2018 | $ - | $ - | $ 246,359 | $ 49,987 | $ 296,346 |
| Depreciation | 168,800 | 411,900 | 477,741 | 73,096 | 1,131,537 |
| Disposal | - | - | (8,300) | (123,083) | (131,383) |
| Balance, May 31, 2019 | $ 168,800 | $ 411,900 | $ 715,800 | $ - | $ 1,296,500 |
| Depreciation | 137,800 | 336,400 | 464,800 | - | 939,000 |
| **Balance, December 31, 2019** | **$ 306,600** | **$ 748,300** | **$ 1,180,600** | **$ -** | **$ 2,235,500** |
| **Depreciation** | **222,000** | **543,000** | **763,000** | **-** | **1,528,000** |
| **Balance, December 31, 2020** | **$ 528,600** | **$ 1,291,300** | **$ 1,943,600** | **$ -** | **$ 3,763,500** |
| Net book value, May 31, 2019 | $ 11,432,800 | $ 21,783,500 | $ 6,374,487 | $ - | $ 39,590,787 |
| Net book value, December 31, 2019 | $ 11,557,170 | $ 21,447,100 | $ 7,695,064 | $ - | $ 40,699,334 |
| **Net book value, December 31, 2020** | **$ 11,335,170** | **$ 20,904,100** | **$ 7,132,052** | **$ -** | **$ 39,371,322** |

## 14. EXPLORATION AND EVALUATION PROPERTIES

a) Gladiator Project

*(i) Coliseum Property*

During the year ended May 31, 2010, the Company acquired a 100% interest in claim blocks in Québec near Windfall Lake. The property is subject to a 2% net smelter returns royalty ("NSR") of which 0.5% can be purchased by the Company for $1,000,000.

**14. EXPLORATION AND EVALUATION PROPERTIES** (Continued)

a) Gladiator Project (Continued)

*(ii) West Arena Property*

The Company entered into an option agreement on September 15, 2010, and as amended on February 8, 2011 and March 19, 2012, to acquire a 100% interest in additional mineral claims adjacent to the Coliseum property in Québec.

The agreement is subject to a 2% NSR of which 1% can be purchased for $500,000.

On November 7, 2013, the Company sold an additional 1% NSR.

*(iii) East Arena Property*

On December 30, 2010, the Company closed a property purchase agreement entered into on December 10, 2010 to acquire a 100% interest in mineral claims east of the Urban-Barry Township in Québec. The agreement is subject to a 2% NSR of which 1% may be purchased for $1,000,000.

*(iv) St-Cyr Property*

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the St-Cyr property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

*(v) West Lacroix Lake Property*

On February 23, 2016, the Company entered into an agreement to acquire a 100% interest in the West Lacroix Lake property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

*(vi) Lac Barry Property*

On March 10, 2016, and as amended March 30, 2017, the Company entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley") to acquire an 85% interest in Golden Valley's Lac Barry property, located in Québec.

Golden Valley retains a 15% interest in the property and a 3% NSR, of which 1% can be purchased by the Company for $1,000,000.

*(vii) Macho South Property*

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Macho South property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

*(viii) Barry Property*

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Barry property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

**14. EXPLORATION AND EVALUATION PROPERTIES** (Continued)

a) Gladiator Project (Continued)

*(ix) Bailly Property*

On March 11, 2016, the Company entered into an agreement to acquire a 100% interest in the Bailly property, located in Québec. The vendor retains a 2% NSR, of which 1% can be purchased by the Company for $1,000,000.

*(x) Thubiére Property*

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the Thubiére property, located in Québec.

*(xi) Lac Mista Property*

On March 14, 2017, the Company entered into an agreement to acquire a 100% interest in the Lac Mista property, located in Québec. The vendors retain a 2% gross overriding royalty reserve on the property, of which 1% may be repurchased by the Company for $1,000,000.

*(xii) Duke Property*

On July 6, 2018, the Company entered into an agreement with Beaufield Resources Inc., which subsequently amalgamated with Osisko Mining Inc., to acquire a 70% interest in the Duke property, located in Québec. In consideration, the Company must make payments as follows:

- Cash payment of $250,000 (paid) and issue 400,000 common shares of the Company (issued on July 12, 2018 and valued at $1,600,000) upon acceptance by the TSX-V;
- An additional $250,000 on or before July 6, 2019 (paid); and
- An additional $250,000 on or before July 6, 2020 (paid).

The Company must also incur work commitments totalling at least $4,500,000, as follows:

i. a minimum of $1,500,000 on or before the first anniversary of this Agreement (July 6, 2019) (completed);
ii. a further $1,500,000 on or before the second anniversary of this Agreement (July 6, 2020) (completed); and
iii. a further $1,500,000 on or before the third anniversary of this Agreement (July 6, 2021).

Any excess work incurred in any year may be carried forward and applied against the subsequent year's Work Commitment.

The Duke Property is subject to an underlying 2.3% NSR, of which 1% can be purchased for $1,000,000.

*(xiii) Panache Property*

On March 25, 2019, the Company entered into an option agreement to acquire a right to a new property called Panache, consisting of one mining claim covering an area of 56 ha, located 20 km north of the Barry project. The Company acquired the property by making a cash payment of $25,000 (paid on March 28, 2019) and issued 10,000 common shares (issued on March 28, 2019 and valued at $19,500) on closing, to the arm's length vendors and an additional cash payment of $50,000 (paid on March 19, 2020) and 15,000 common shares (issued on March 19, 2020 and valued at $11,400) before the one-year anniversary of the agreement.

**14. EXPLORATION AND EVALUATION PROPERTIES** (Continued)

a) Gladiator Project (Continued)

*(xiv) Lapointe Property*

On March 9, 2020, the Company entered into a purchase agreement and acquired a new property called the Lapointe property consisting of nine new claims covering an area of 508 ha, contiguous with the Company's Urban-Barry properties located approximately 10 km southwest of the Barry deposit. To acquire the property, the Company made a cash payment of $10,000.

b) Barry Project

*(i) Barry*

The Company holds a 100% interest in mining lease and titles in the Barry gold deposit. It is subject to a 3% NSR.

*(ii) Barry United*

The Company holds a 100% interest in mining titles located near the Barry gold deposit. It is subject to NSRs of 1% to 4%.

*(iii) Barry Extension*

The Company holds a 100% interest in mining titles located near the Barry gold deposit. It is subject to a 2% NSR, half of which may be repurchased by the Company for $1,000,000, and the other half at conditions to be agreed upon by the parties.

*(iv) Barry Souart*

The Company holds a 100% interest in mining titles located near the Barry gold deposit. It is subject to a 2% NSR, half of which may be repurchased by the Company for $500,000, payable in cash or by the issuance of shares at the option of the seller.

c) Bachelor Camp Project

*(i) Moroy*

The Company holds a 100% interest in mining titles located near the Bachelor Lake property. The whole area is subject to a 1.25% NSR. In addition, certain mining titles are subject to an additional 2% NSR, half of which may be repurchased for $1,000,000.

*(ii) Nelligan*

The Company holds a 70% interest in mining titles located near the Bachelor Lake property. It is subject to a 2% NSR, half of which may be repurchased for $1,000,000.

*(iii) Coniagas*

The Company holds a 100% interest in a mining lease located near the Bachelor Lake property.

*(iv) Waswanipi Property*

During the year ended December 31, 2020, the Company staked 231 claims north and west of the Bachelor mine.

(Expressed in Canadian Dollars)

## 14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

d) Other Projects

*(i) Larder Lake Project*

On March 16, 2016, the Company entered into an option agreement to acquire a 100% interest in the Larder Lake project from Kerr Mines and its wholly owned subsidiary, Bear Lake Gold Ltd., located in Ontario. The terms of the agreement were amended on April 14, 2016.

On March 10, 2017, the Company entered into an agreement to acquire a 100% interest in the McVittie claim, located in Ontario. The vendors retain a 1.5% NSR on the claim, of which 1% may be repurchased by the Company for $750,000.

On September 24, 2018, the Larder Lake project was part of the spin-out of assets to Gatling (note 6).

*(ii) Wahnapitei*

The Company holds a 90% interest in a property comprised of mining leases and concessions located in Sudbury, Ontario. The remaining 10% can be purchased for $1,000,000.

(See also note 19, for additional discussion on NSR's related to exploration projects on the Barry and Bachelor Camp projects.)

A summary of exploration and evaluation expenditures for the year ended December 31, 2020, seven month period ended December 31, 2019 and year ended May 31, 2019 is as follows:

| **Year ended December 31, 2020** | **Quebec Properties** | **Total** |
|---|---|---|
| **Acquisition costs** | **$ 321,400** | **$ 321,400** |
| **Net exploration costs** | **18,493,796** | **18,493,796** |
| **Total exploration and evaluation expenditures** | **$ 18,815,196** | **$ 18,815,196** |

| Seven month period ended December 31, 2019 | Quebec Properties | Total |
|---|---|---|
| Acquisition costs | $ 250,000 | $ 250,000 |
| Net exploration costs | 11,616,377 | 11,616,377 |
| Total exploration and evaluation expenditures | $ 11,866,377 | $ 11,866,377 |

| Year ended May 31, 2019 | Quebec Properties | Larder Lake | Total |
|---|---|---|---|
| Acquisition costs | $ 2,094,500 | $ - | $ 2,094,500 |
| Net exploration costs (recovery) | 28,183,574 | (14,413) | 28,169,161 |
| Total exploration and evaluation expenditures | $ 30,278,074 | $ (14,413) | $ 30,263,661 |

Of the total exploration and evaluation expenditures in the year ended December 31, 2020, approximately $20,888,000 (Seven month period ended December 31, 2019 - $11,355,000 and year ended May 31, 2019 - $28,880,000) has been recorded as eligible flow-through expenditures. In addition, trade and other payables from prior years paid in the year ended May 31, 2019 of $2,330,000 qualified as eligible flow-through expenditures.

Included in exploration and evaluation expenditures for the year ended December 31, 2020 is depreciation of $1,306,000 (Seven month period ended December 31, 2019 - $801,200 and year ended May 31, 2019 - $889,641). In addition, the exploration and evaluation expenditures for the year ended December 31, 2020 are net of $4,529,345 (Seven month period ended December 31, 2019 - $Nil and May 31, 2019 - $265,190) (Seven month period ended December 31, 2019 - $608,281 and year ended May 31, 2019 - $1,635,875) mining tax credits received from Revenu Québec of which, $3,347,530 of the mining tax credits received increased the amount of the Company's flow-through expenditure requirements. The Company has applied for additional mining tax credits for exploration work done between 2018 to 2020. In the event that the Company receives any additional mining tax credits it has claimed, these amounts will likely increase the amount the Company's flow-through expenditure requirements.

(Expressed in Canadian Dollars)

## 14. EXPLORATION AND EVALUATION PROPERTIES (Continued)

Included in exploration and evaluation expenditures for the year ended December 31, 2020 is a reduction to exploration and evaluation expenditures from the NRV of precious metals produced or sold from the Company's bulk sample of $3,662,540 (Seven month period ended December 31, 2019 - $Nil and year ended May 31, 2019 - $Nil) from the production of 1,500.22 ounces of gold and 166.132 ounces of silver. Of the $3,662,540, $932,104 was included as inventory for the year ended December 31, 2020 and was sold subsequent to year-end. Subsequent to the December 31, 2020, the Company produced and sold an additional 451.01 ounces of gold and 65.66 ounces of silver for gross proceeds of $1,071,164.

## 15. TRADE AND OTHER PAYABLES

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

The following is a breakdown of the trade and other payables:

| | As at, | | |
|---|---|---|---|
| | **December 31, 2020** | December 31, 2019 | May 31, 2019 |
| Trade payables | **$ 4,815,228** | $ 5,650,420 | $ 5,526,851 |
| Accrued liabilities and other payables | **1,059,986** | 1,311,537 | 3,136,794 |
| **Total trade and other payables** | **$ 5,875,214** | $ 6,961,957 | $ 8,663,645 |

## 16. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the consolidated statements of comprehensive loss:

| **For the period ended,** | **Year ended December 31, 2020** | Seven months ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| Short-term compensation | | | |
| Exploration and evaluation expenditures | **$ 62,000** | $ 60,000 | $ 288,000 |
| Salaries, management and director fees | **685,000** | 497,000 | 1,352,000 |
| Professional fees | **300,000** | 40,000 | 127,000 |
| Termination fees paid or accrued (note 27) | **485,000** | 210,000 | 1,146,000 |
| | **1,532,000** | 807,000 | 2,913,000 |
| Share-based compensation | **2,214,000** | - | 3,159,000 |
| | **$ 3,746,000** | $ 807,000 | $ 6,072,000 |

During the year ended December 31, 2020, the Company received $Nil (Seven month period ended December 31, 2019 - $Nil and May 31, 2019 - $69,000) for the recovery of rent expense from companies related by a former common officer.

Included in trade and other payables at December 31, 2020 was $92,000 (December 31, 2019 - $3,000 and May 31, 2019 - $22,958) due to officers and or directors for expense reimbursements and unpaid fees. The amounts payable are non-interest-bearing, uncollateralized and are repayable on demand.

During the year ended May 31, 2019, $18,760 was paid to private companies with former common directors for exploration and evaluation expenditures.

## 17. MINING TAXES PAYABLE

Mining taxes payable as at December 31, 2020 was $Nil (December 31, 2019 - $Nil and May 31, 2019 - $1,894,000). The amounts owing related to minimum taxes owing on the mining gold production at Metanor from July 2014 to December 2018 assessed by Revenu Québec. During the year ended December 31, 2020, the Company recorded interest on these mining taxes payable of $134,000 (Seven month period ended December 31, 2019 - $106,000 and year ended May 31, 2019 - $Nil) and made a payment to Revenu Québec of $134,000 (December 31, 2019 - $2,000,000 and year ended May 31, 2019 - $Nil) to pay this amount in full.

(Expressed in Canadian Dollars)

## 18. LONG-TERM DEBT

| As at, | | December 31, 2020 | | December 31, 2019 | | May 31, 2019 |
|---|---|---|---|---|---|---|
| Loans payable, secured by rolling stock and mining equipment, 0.00% to 5.98%, payable in monthly instalments, from 2022 to 2023 | $ | **328,327** | $ | 597,481 | $ | 534,574 |
| Obligations under finance arrangements, 5.17% to 25.16%, payable in monthly instalments, maturing from 2021 to 2023 | | **392,331** | | 621,282 | | 1,011,019 |
| | | **720,658** | | 1,218,763 | | 1,545,593 |
| Current portion of long-term debt | | **(368,793)** | | (499,637) | | (653,875) |
| | $ | **351,865** | $ | 719,126 | $ | 891,718 |

The instalments on long-term debt for the forthcoming years as at December 31, 2020 are as follows:

| | | Obligations under finance arrangements | | Loans payable |
|---|---|---|---|---|
| 2021 | $ | **191,058** | $ | **199,693** |
| 2022 | | **187,020** | | **76,249** |
| 2023 | | **46,755** | | **52,385** |
| Total minimum payments | | **424,833** | | **328,327** |
| Interest expense included in minimum payments | | **(32,502)** | | **-** |
| | $ | **392,331** | $ | **328,327** |

## 19. DERIVATIVE LIABILITY

In 2011, Metanor entered into an agreement with Sandstorm where Sandstorm made advances totaling US $20 million. In exchange, Metanor was required to sell to Sandstorm 20% of the gold produced from its Bachelor Lake Property until 2052. For the first US $20 million of sales, Metanor received US $500 per ounce, with the difference between the prevailing market price and the US $500 reducing the US $20 million deposit. The full amount of the deposit was reduced to $nil, and sales of gold to Sandstorm were to be completed at the lesser of US $500 and the prevailing market price per ounce of gold. The initial deposit was recorded as unearned revenue and recognized on the basis of the ounces sold over the estimated quantity of gold to be delivered over the term of the contract.

On September 29, 2017, Metanor entered into an amending agreement with Sandstorm, effectively reducing the existing gold stream on the Bachelor mine (which required Metanor to sell 20% of its gold production at the fixed price of US $500) and replacing it with a 3.9% NSR on all minerals produced from the Bachelor and Barry properties (including the surrounding exploration properties held by Metanor at September 29, 2017). 2.1% of the NSR can be repurchased upon payment of US $2M for each property, thereby reducing the NSR to 1.8%. These NSRs become effective once the Company has delivered 12,000 ounces of gold to Sandstorm at the fixed price of US $500 (minimum of 1,500 ounces quarterly). As of December 31, 2020, all 12,000 ounces (2019 – 12,000 and May 31, 2019 - 9,000) were delivered, along with an additional 250 ounces for late payments. As part of the consideration, Metanor issued 3,164,156 common shares to Sandstorm with an aggregate value of $2,436,400.

Since the Company is not in production and had no intentions to fulfill the Sandstorm commitment by the sale of gold from its own production, the Company did not meet the own-use exemption under IFRS 9 and therefore recorded the gold stream amounts owing as a financial liability.

(Expressed in Canadian Dollars)

## 19. DERIVATIVE LIABILITY (Continued)

The activity of the derivative liability during the year ended December 31, 2020, seven month period ended December 31, 2019 and the year ended May 31, 2019 is as follows:

| For the, | Year Ended December 31, 2020 | Seven Month Period Ended December 31, 2019 | Year Ended May 31, 2019 |
|---|---|---|---|
| Opening balance | $ - | $ 3,165,000 | $ - |
| Acquired on acquisition of Metanor (note 7) | - | - | 5,900,000 |
| Cost of gold purchases delivered | - | (6,019,125) | (5,719,350) |
| Proceeds of gold purchases delivered | - | 1,978,079 | 2,011,238 |
| Loss on derivative liability | - | 876,046 | 973,112 |
| | $ - | $ - | $ 3,165,000 |

The derivative liability as at December 31, 2020 and 2019 and May 31, 2019 is calculated as follows:

| As at, | December 31, 2020 | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| Gold ounces to be delivered | - | - | 3,000 |
| Gold price per ounce as at year/period end | - | - | US$ 1,279.90 |
| Sale price per ounce per agreement | - | - | US$ 500.00 |
| Net cost per ounce | - | - | US$ 779.90 |
| US$ exchange rate at year/period end | - | - | 1.3527 |
| Liability at year/period end | $ - | $ - | $ 3,165,000 |

## 20. FLOW-THROUGH PREMIUM LIABILITY

Flow-through premium liability consists of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

| | Issued During the Year Ended May 31, 2018 | Issued During the Year Ended May 31, 2019 | Issued During the Seven Month Period Ended December 31, 2019 | Total |
|---|---|---|---|---|
| Balance, May 31, 2018 | $ 3,469,531 | $ - | $ - | $ 3,469,531 |
| Liability incurred on flow-through shares issued November 2018 | - | 1,722,000 | - | 1,722,000 |
| Liability incurred on flow-through shares issued March 2019 | - | 2,357,000 | - | 2,357,000 |
| Settlement of flow-through share liability by incurring expenditures | (3,469,531) | (1,884,000) | - | (5,353,531) |
| Balance, May 31, 2019 | - | 2,195,000 | - | 2,195,000 |
| Liability incurred on flow-through shares issued August 2019 | - | - | 4,013,000 | 4,013,000 |
| Liability incurred on flow-through shares issued December 2019 | - | - | 947,000 | 947,000 |
| Settlement of flow-through share liability by incurring expenditures | - | (2,195,000) | (506,000) | (2,701,000) |
| **Balance, December 31, 2019** | **$ -** | **$ -** | **$ 4,454,000** | **$ 4,454,000** |
| **Settlement of flow-through share liability by incurring expenditures** | **-** | **-** | **(4,454,000)** | **(4,454,000)** |
| **Balance, December 31, 2020** | **$ -** | **$ -** | **$ -** | **$ -** |

## 20. FLOW-THROUGH PREMIUM LIABILITY (Continued)

*For the seven month period ended December 31, 2019*

On December 13, 2019, the Company issued 1,307,066 flow-through shares units at a price of $2.25 per share. The premium paid by investors was calculated as $0.35 per share. Accordingly, $457,000 was recorded as flow-through premium liability. In addition, the Company issued 980,000 super flow-through shares at a price of $2.40 per share. The premium paid by investors was calculated as $0.50 per share. Accordingly, $490,000 was recorded as flow-through premium liability, bringing the total aggregate flow-through premium liability recorded on December 13, 2019 to $947,000.

On August 20, 2019, the Company issued 2,166,670 flow-through shares units at a price of $3.00 per share. The premium paid by investors was calculated as $0.50 per share. Accordingly, $1,083,000 was recorded as flow-through premium liability. In addition, the Company issued 1,628,000 super flow-through shares at a price of $4.30 per share. The premium paid by investors was calculated as $1.80 per share. Accordingly, $2,930,000 was recorded as flow-through premium liability, bringing the total aggregate flow-through premium liability recorded on August 20, 2019 to $4,013,000.

*For the year ended May 31, 2019*

On November 8, 2018, the Company issued 3,443,500 flow-through shares at a price of $3.80 per share. The premium paid by investors was calculated as $0.50 per share. Accordingly, $1,722,000 was recorded as flow-through premium liability.

On March 18, 2019, the Company issued 3,273,800 flow-through shares at a price of $2.67 per share. The premium paid by investors was calculated as $0.82 per share. Accordingly, $2,357,000 was recorded as flow-through premium liability.

At December 31, 2020, the Company had a remaining commitment to incur exploration expenditures of $Nil in relation to its flow-through share financing.

Included in trade and other payables at May 31, 2018 was a provision of $243,794 for tax liabilities as a result of not meeting flow-through expenditure requirements from flow-through common shares issued in calendar 2012 and 2013. The Company reduced the 2012 and 2013 provision by $243,794 during the year ended May 31, 2019 and recorded it as a recovery of Part XII.6 tax and penalties.

## 21. ASSET RETIREMENT OBLIGATIONS

The Company's past production and current exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment. The Company has recorded the asset retirement obligations on the basis of management's best estimates of future costs, based on information available on the reporting date.

Best estimates of future cost are the amount the Company would reasonably pay to settle its obligation on the closing date of the project.

The future costs are discounted using the risk-free interest rate of the Company and are recorded as liabilities. The counterparts of these obligations are capitalized to property, plant and equipment which will be depreciated in accordance with the unit-of-production method, based on the estimated life of the mine upon beginning of commercial production. The asset retirement obligations are adjusted for accumulated accretion in accordance with the expected timing of payment of the cash flows required to settle these obligations.

(Expressed in Canadian Dollars)

**21. ASSET RETIREMENT OBLIGATIONS** (Continued)

a) Changes in obligations

The following table sets forth the changes in the asset retirement obligations:

| As at, | December 31, 2020 | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| Balance, beginning of year/period | **$ 5,704,000** | $ 5,624,000 | $ - |
| Acquisition of Metanor | **-** | - | 5,533,000 |
| Accretion expense | **140,000** | 80,000 | 91,000 |
| Balance, end of year/period | **$ 5,844,000** | $ 5,704,000 | $ 5,624,000 |

b) Information used in the calculation of obligations

The total inflated and undiscounted amount of estimated cash flows required to settle the Company's estimated future closure and decommissioning costs is $11,222,000 (December 31, 2019 - $11,222,000 , May 31, 2019 - $11,222,000 ), which has been inflated using inflation rates of 2% (December 31, 2019 - 2%, May 31, 2019 - 2%). The total provision is calculated using discount rates of 2.45% (December 31, 2019 – 2.45%, May 31, 2019 – 2.45%). The schedule of payments was determined by taking into account the reserves and resources that the Company considers highly likely to be able to convert into reserves of related mining properties and the estimated annual production level. The Company plans to settle these obligations during the financial year ending in 2038 for the Barry site and 2048 for the Mill.

c) Distribution of asset retirement obligations

The following table sets forth the changes in the asset retirement obligations:

| As at, | December 31, 2020 | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| Barry site | **$ 508,000** | $ 496,000 | $ 489,000 |
| Mill | **5,336,000** | 5,208,000 | 5,135,000 |
| | **$ 5,844,000** | $ 5,704,000 | $ 5,624,000 |

**22. SHARE CAPITAL**[1]

[1] All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See Note 1.

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued and outstanding

***During the year ended December 31, 2020***
On December 9, 2020 and December 15, 2020, the Company closed tranches of a completed non-brokered private placement for gross proceeds of $15,000,000 through the issuance of 13,043,478 common shares (December 9 – 10,669,891 and December 15 – 2,373,587) of the Company at a price of $1.15 per common share. The underwriters received a cash fee of $317,250. Other share issue costs of $160,716 were incurred.

On March 19, 2020, the Company issued 15,000 common shares valued at $11,400 for exploration and evaluation expenditures (note 14(a)).

## 22. SHARE CAPITAL (Continued)

b) Issued and outstanding (Continued)

***During the seven month period ended December 31, 2019***

On December 13, 2019, the Company completed a brokered private placement for gross proceeds of $5,292,898. The Company issued (a) 1,307,066 flow-through shares of the Company at a price of $2.25 per flow-through share for gross proceeds of $2,940,898, and (b) 980,000 super flow-through shares of the Company at a price of $2.40 per super flow-through share for gross proceeds of $2,352,000. Each super flow-through share consists of one common share of the Company issued on a flow-through basis that will also qualify for the two 10% enhancements under section 726.4.9 and section 726.4.17.1 of the Quebec Taxation Act.

The premium paid by investors on the flow-through shares was calculated at $0.35 per flow-through share and $0.50 per super flow-through share. Accordingly, $947,000 was recorded as flow-through premium liability. The underwriters received a cash fee of $317,574. Other share issue costs of $149,594 were incurred.

On August 20, 2019, the Company completed a brokered private placement for gross proceeds of $31,962,910. The Company issued (a) 7,385,000 units of the Company at a price of $2.50 per unit for gross proceeds of $18,462,500, (b) 2,166,670 flow-through units of the Company at a price of $3.00 per flow-through units for gross proceeds of $6,500,010, and (c) 1,628,000 super flow-through units of the Company at a price of $4.30 per super flow-through units for gross proceeds of $7,000,400. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (two one-half warrants equal one whole common share purchase warrant). Each flow-through units consists of one common share of the Company issued on a flow-through basis and one-half of one warrant. Each super flow-through units consists of one common share of the Company issued on a flow-through basis that will also qualify for the two 10% enhancements under section 726.4.9 and section 726.4.17.1 of the Quebec Taxation Act and one-half of one warrant. Each whole warrant is transferrable and entitles the holder to acquire one common share of the Company until August 20, 2021 at price of $3.10 per common share.

The premium paid by investors on the flow-through shares was calculated at $0.50 per flow-through unit and $1.80 per super flow-through unit. Accordingly, $4,013,000 was recorded as flow-through premium liability. The underwriters received a cash fee of $1,897,775. Other share issue costs of $279,375 were incurred.

During the seven month period ended December 31, 2019, the Company issued 100,000 common shares for proceeds of $200,000 on the exercise of stock options. Fair value of contributed surplus transferred on the exercise of stock options was $131,500.

*During the year ended May 31, 2019*

On July 12, 2018, the Company issued 400,000 common shares valued at $1,600,000 for exploration and evaluation expenditures (note 14(a)).

On September 24, 2018, the Company issued 16,351,312 common shares of the Company for the acquisition of Metanor (note 7).

On November 6, 2018, the Company closed a private placement for gross proceeds of $21,817,100. The Company issued 3,443,500 flow-through common shares of the Company at a price of $3.80 and 2,646,000 common shares of the Company at a price of $3.30.

The premium paid by investors on the flow-through shares was calculated at $0.50 per share. Accordingly, $1,722,000 was recorded as flow-through premium liability. The underwriters received a cash fee of $1,309,026. Other share issue costs of $114,350 were incurred.

(Expressed in Canadian Dollars)

**22. SHARE CAPITAL** (Continued)

b) Issued and outstanding (Continued)

On November 14, 2018, the Company closed an additional tranche for gross proceeds of $99,990. The Company issued 30,300 common shares of the Company at a price of $3.30.

On March 12, 2019, the Company converted $500,000 of accounts payable and accrued liabilities, by issuing 250,000 common shares.

On March 18, 2019, the Company completed a brokered private placement for gross proceeds of $36,741,096. The Company issued 14,359,000 common shares of the Company at a price of $1.95 and an additional 3,273,800 flow-through common shares at a price of $2.67.

The premium paid by investors on the flow-through shares was calculated at $0.72 per share. Accordingly, $2,357,000 was recorded as flow-through premium liability. The underwriters received a cash fee of $2,204,466. Other share issue costs of $271,644 were incurred.

On March 28, 2019, the Company issued 10,000 common shares valued at $19,500 for exploration and evaluation expenditures (note 14(a)).

During the year ended May 31, 2019, the Company issued 333,351 common shares for proceeds of $1,166,839 on the exercise of 333,351 warrants and 20,000 common shares for proceeds of $34,000 on the exercise of 20,000 stock options. Fair value of contributed surplus transferred on the exercise of warrants was $195,138 and fair value of contributed surplus transferred on the exercise of stock options was $38,447.

c) Warrants [(1)]

[(1)] All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

Warrant transactions and the number of warrants outstanding are summarized as follows:

| For the, | **Year Ended December 31, 2020** | | Seven Month Period Ended December 31, 2019 | | Year Ended May 31, 2019 | |
|---|---|---|---|---|---|---|
| | **Number of Warrants** | **Weighted Average Exercise Price** | Number of Warrants | Weighted Average Exercise Price | Number of Warrants | Weighted Average Exercise Price |
| Outstanding, beginning of year/period | **5,719,835** | **$ 3.15** | 1,111,827 | $ 5.55 | 1,512,143 | $ 4.40 |
| Issued | - | - | 5,589,835 | $ 3.10 | - | - |
| Metanor replacement warrants | - | - | - | - | 4,175,774 | $ 5.33 |
| Exercised | - | - | - | - | (333,351) | $ 3.50 |
| Expired | **(130,000)** | **$5.20** | (981,827) | $ 5.60 | (4,242,739) | $ 5.06 |
| Outstanding, end of year/period | **5,589,835** | **$3.10** | 5,719,835 | $ 3.15 | 1,111,827 | $ 5.55 |

The following warrants were outstanding and exercisable as at December 31, 2020:

| **Expiry Date** | **Weighted Average Remaining Contractual Life in Years** | **Exercise Price** | **Outstanding** |
|---|---|---|---|
| August 20, 2021 | **0.64** | **$ 3.10** | **5,589,835** |

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants issued. The fair value of each warrant issued was calculated using the following weighted average assumptions for the year ended December 31, 2020, seven month period ended December 31, 2019 and year ended May 31, 2019:

(Expressed in Canadian Dollars)

**22. SHARE CAPITAL** (Continued)

c) Warrants (Continued)

| | **Year Ended December 31, 2020** | Seven Month Period Ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| Expected life (years) | **N/A** | 2.00 | N/A |
| Risk-free interest rate | **N/A** | 1.34% | N/A |
| Expected annualized volatility | **N/A** | 40% | N/A |
| Dividend yield | **N/A** | 0% | N/A |
| Stock price at grant date | **N/A** | $2.18 | N/A |
| Exercise price | **N/A** | $3.10 | N/A |
| Weighted average grant date fair value | **N/A** | $0.255 | N/A |

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

d) Stock options[1]

[1] All periods are adjusted for 10:1 share consolidation completed on November 6, 2018. See note 1.

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period. As at December 31, 2020, the Company had 4,709,089 (2019 - 4,673,803 and May 31, 2019 - 2,294,385) options remaining available for issuance under the plan.

The following is a summary of option transactions under the Company's stock option plan for the year ended December 31, 2020, seven month period ended December 31, 2019 and year ended May 31, 2019:

| **For the,** | **Year Ended December 31, 2020** | | Seven Month Period Ended December 31, 2019 | | Year ended May 31, 2019 | |
|---|---|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding and exercisable, beginning of year/period | **3,075,549** | **$ 2.29** | 4,098,293 | $ 3.16 | 1,220,000 | $ 4.20 |
| Transactions during the year: | | | | | | |
| Granted | **3,335,000** | **$ 1.54** | - | - | 3,150,000 | $ 2.17 |
| Metanor replacement options | - | - | - | - | 505,841 | $ 9.88 |
| Exercised | - | - | (100,000) | $ 2.00 | (20,000) | $ 1.70 |
| Expired | **(2,064,438)** | **$ 2.27** | (922,744) | $ 6.21 | (757,548) | $ 4.34 |
| Outstanding, end of year/period | **4,346,111** | **$ 1.72** | 3,075,549 | $ 2.29 | 4,098,293 | $ 3.16 |
| Exercisable, end of year/period | **4,328,611** | **$ 1.72** | 3,075,549 | $ 2.29 | 4,098,293 | $ 3.16 |

(Expressed in Canadian Dollars)

**22. SHARE CAPITAL** (Continued)

d) Stock options (Continued)

The following table provides additional information about outstanding stock options at December 31, 2020:

| Range of Exercise Prices ($) | No. of Options Outstanding | Weighted Average Exercise Price ($) | Weighted Average Remaining Life (Years) | No. of Options Exercisable |
|---|---|---|---|---|
| 1.54 - 2.00 | 4,285,000 | 1.66 | 3.86 | 4,267,500 |
| 4.50 – 5.50 | 55,097 | 5.23 | 1.06 | 55,097 |
| 15.60 | 6,014 | 15.60 | 1.70 | 6,014 |
| **1.54 – 15.60** | **4,346,111** | **1.72** | **3.64** | **4,328,611** |

Subsequent to December 31, 2020, and on January 14, 2021, 200,000 stock options were granted with an exercise price of $1.54 that vest immediately and expire on July 6, 2025 to a director of the Company.

Subsequent to December 31, 2020, and on April 12, 2021, 2,360,000 stock options were granted with an exercise price of $1.16 that vest immediately and expire on April 12, 2026 to various consultants, employees, officers and directors.

Subsequent to December 31, 2020, 15,000 stock options with a weighted average exercise price of $4.50 expired unexercised.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The fair value of each option grant was calculated using the following weighted average assumptions:

| | **Year Ended December 31, 2020** | Seven Month Period Ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| Expected life (years) | **4.97** | N/A | 4.68 |
| Risk-free interest rate | **0.38%** | N/A | 1.80% |
| Expected annualized volatility | **68%** | N/A | 84% |
| Dividend yield | **N/A** | N/A | N/A |
| Stock price at grant date | **$1.52** | N/A | $2.12 |
| Exercise price | **$1.54** | N/A | $2.17 |
| Weighted average grant date fair value | **$0.84** | N/A | $1.28 |

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility to estimate the volatility of the share price.

**23. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

| | **Year ended December 31, 2020** | Seven month period ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| Income tax paid | **$ -** | $ - | $ - |
| Interest received | **$ 132,129** | $ 195,996 | $ 145,609 |
| Interest paid | **$ (172,795)** | $ (182,162) | $ 245,010 |
| Fair value of warrants exercised | **$ -** | $ - | $ 195,138 |
| Fair value of stock options exercised | **$ -** | $ 131,500 | $ 38,447 |
| Fair value of shares issued for debt | **$ -** | $ - | $ 500,000 |
| Accounts payable related to property, plant and equipment | **$ -** | $ - | $ (482,745) |
| Fair value of warrants issued | **$ -** | $ 1,426,000 | $ - |

(Expressed in Canadian Dollars)

**23. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS** (Continued)

| | | | Non-cash changes | |
|---|---|---|---|---|
| | **December 31, 2019** | **Cash Flows** | **Additions** | **December 31, 2020** |
| **Long-term debt** | **$ 1,218,763** | **$ (529,065)** | **$ 30,960** | **$ 720,658** |

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | May 31, 2019 | Cash Flows | Loss on derivative liability | Additions | Transferred to trade and other payables | December 31, 2019 |
| Derivative liability | $ 3,165,000 | $ (4,041,046) | $ 876,046 | $ - | $ - | $ - |
| Long-term debt | 1,545,593 | (308,230) | - | 211,200 | (229,800) | 1,218,763 |
| Total | $ 4,710,593 | $ (4,349,276) | $ 876,046 | $ 211,200 | $ (229,800) | $ 1,218,763 |

| | | | **Non-cash changes** | | | |
|---|---|---|---|---|---|---|
| | May 31, 2018 | Cash Flows | Loss on derivative liability | Acquisition | Settled against PP&E | May 31, 2019 |
| Derivative liability | $ - | $ (3,708,112) | $ 973,112 | $ 5,900,000 | $ - | $ 3,165,000 |
| Long-term debt | - | (775,015) | - | 2,512,308 | (191,700) | 1,545,593 |
| Total | $ - | $ (4,483,127) | $ 973,112 | $ 8,412,308 | $ (191,700) | $ 4,710,593 |

**24. DISCONTINUED OPERATIONS**

On September 24, 2018, the Company acquired all the shares of Metanor (note 7). The Company shut down the mining production operation at Metanor and put the mill on care and maintenance pending final clean ups and gold pours. As a result, the mining production operation has been presented as discontinued operations.

The results of discontinued operations presented in the consolidated statement of comprehensive loss for the year ended December 31, 2020, seven month period ended December 31, 2019 and year ended May 31, 2019 are as follows:

| | **Year ended December 31, 2020** | Seven month period ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| Gold sales | $ - | $ - | $ 3,190,128 |
| Cost of goods sold and related closure costs | - | (343,000) | (12,157,547) |
| Depreciation | - | - | (168,800) |
| Loss from discontinued operations | $ - | $ (343,000) | $ (9,136,219) |

The net change in consolidated cash flows related to Discontinued Operations the year ended December 31, 2020, seven month period ended December 31, 2019 and year ended May 31, 2019 are as follows:

| | **Year ended December 31, 2020** | Seven month period ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| Cash used in operating activities | $ - | $ (343,000) | $ (8,967,419) |
| Cash used in discontinued operations | $ - | $ (343,000) | $ (8,967,419) |

(Expressed in Canadian Dollars)

## 25. SEGMENTED DISCLOSURE

The Company operates several exploration and evaluation properties in Quebec, as well as a past producing gold mine and mill that has been put on care and maintenance. These operating sites are managed separately given their different locations. The Company assesses the performance of each segment. Accounting policies for each segment are the same as those used for the preparation of the consolidated financial statements.

For the year ended December 31, 2020, seven month period ended December 31, 2019 and year ended May 31, 2019, the Company's two operating segment were mining site care and maintenance and mineral exploration. All other costs are considered corporate administration costs.

| **Year ended December 31, 2020** | **Mining Site** | **Exploration** | **Corporate** | **Total** |
|---|---|---|---|---|
| Mill Care and maintenance | **$ 962,515** | **$ -** | **$ -** | **$ 962,515** |
| Exploration and evaluation | **-** | **18,815,196** | **-** | **18,815,196** |
| Recovery of flow-through premium liability | **-** | **(4,454,000)** | **-** | **(4,454,000)** |
| Administration | **-** | **-** | **5,358,961** | **5,358,961** |
| Net loss | **$ 962,515** | **$ 14,361,196** | **$ 5,358,961** | **$ 20,682,672** |

| Seven month period ended December 31, 2019 | Mining Site | Exploration | Corporate | Total |
|---|---|---|---|---|
| Discontinued operations | $ 343,000 | $ - | $ - | $ 343,000 |
| Mill Care and maintenance | 2,974,198 | - | - | 2,974,198 |
| Exploration and evaluation | - | 11,866,377 | - | 11,866,377 |
| Recovery of flow-through premium liability | - | (2,701,000) | - | (2,701,000) |
| Administration | - | - | 5,094,132 | 5,094,132 |
| Net loss | $ 3,317,198 | $ 9,165,377 | $ 5,094,132 | $ 17,576,707 |

| Year ended May 31, 2019 | Mining Site | Exploration | Corporate | Total |
|---|---|---|---|---|
| Discontinued operations | $ 9,136,219 | $ - | $ - | $ 9,136,219 |
| Exploration and evaluation | - | 30,263,661 | - | 30,263,661 |
| Impairment of mineral properties | - | 54,289,635 | - | 54,289,635 |
| Recovery of flow-through premium liability | - | (5,353,531) | - | (5,353,531) |
| Administration | - | - | 12,507,579 | 12,507,579 |
| Net loss | $ 9,136,219 | $ 79,199,765 | $ 12,507,579 | $ 100,843,563 |

## 26. INCOME TAXES

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

| | **Year ended December 31, 2020** | Seven months ended December 31, 2019 | Year ended May 31, 2019 |
|---|---|---|---|
| Loss before income taxes | **$ (20,682,672)** | $ (17,576,707) | $ (100,843,563) |
| Statutory income tax rate | **26.50%** | 26.60% | 26.66% |
| Income tax benefit computed at statutory tax rate | **(5,481,000)** | (4,675,000) | (26,885,000) |
| Items not deductible (taxable) for income tax purposes | **(481,000)** | (684,000) | 15,242,000 |
| Renunciation of eligible expenditures | **4,674,000** | 2,275,000 | 4,550,000 |
| Share issue costs and other | **361,000** | (341,000) | (960,000) |
| Change in unrecognized benefit of deferred income tax assets | **927,000** | 3,425,000 | 8,053,000 |
| Deferred income tax expense | $ - | $ - | $ - |

(Expressed in Canadian Dollars)

**26. INCOME TAXES** (Continued)

The significant components of the Company's deferred income tax assets and deferred income tax liabilities at December 31, 2020 and 2019 and May 31, 2019 are presented below:

| | **December 31, 2020** | December 31, 2019 | May 31, 2019 |
|---|---|---|---|
| Non-capital losses carried forward | $ 36,068,000 | $ 33,898,000 | $ 29,905,000 |
| Net capital losses carried forward | 428,000 | 428,000 | 322,000 |
| Canadian development expense carried forward | 18,441,000 | 19,222,000 | 18,990,000 |
| Share issue costs and other | 3,195,000 | 3,960,000 | 4,558,000 |
| Property, plant and equipment | 1,408,000 | 995,000 | 387,000 |
| | 59,540,000 | 58,503,000 | 54,162,000 |
| Unrecognized deferred income tax assets | (59,540,000) | (58,503,000) | (54,162,000) |
| Net deferred income tax assets | $ - | $ - | $ - |

As at December 31, 2020, the Company has capital losses of $3,227,000 (December 31, 2019 - $3,227,000 and May 31, 2019 - $2,427,000) available for carry-forward to reduce future years' capital gains.

As at December 31, 2020, the Company has federal non-capital losses of $134,242,000 (December 31, 2019 - $125,718,000 and May 31, 2019 - $111,279,000) and Quebec non-capital losses of $138,541,000 (December 31, 2019 - $130,787,000 and May 31, 2019 - $114,893,000) available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

| | Federal | Quebec |
|---|---|---|
| 2028 | $ **1,187,000** | $ **1,187,000** |
| 2029 | **6,834,000** | **11,807,000** |
| 2030 | **10,717,000** | **10,896,000** |
| 2031 | **8,822,000** | **9,453,000** |
| 2032 | **6,604,000** | **5,988,000** |
| 2033 | **1,370,000** | **1,365,000** |
| 2034 | **2,213,000** | **2,199,000** |
| 2035 | **3,836,000** | **3,819,000** |
| 2036 | **6,272,000** | **5,830,000** |
| 2037 | **47,379,000** | **47,169,000** |
| 2038 | **7,716,000** | **7,677,000** |
| 2039 | **21,407,000** | **19,847,000** |
| 2040 | **9,885,000** | **11,304,000** |
| | $ **134,242,000** | $ **138,541,000** |

**27. COMMITMENTS AND CONTINGENT LIABILITIES**

a) The Company had entered into agreements with officers and consultants that include termination and change of control clauses. In the case of termination and change of control, the officers and consultants are entitled to certain amounts payable.

   As at December 31, 2020, the Company had two of these types of agreements with officers of the Company that totaled annual base fees of $505,000. In the case of termination, the officers are entitled to an amount equal to $505,000 and in the case of a change of control of the Company, the officers under certain circumstances are entitled to an amount equal to $505,000. During the year ended December 31, 2020, the Company terminated two of these four agreements that called for a payment in the amount of $565,000 in the case of termination and $890,000 in the case of a change of control of the Company, for cash payments of $445,000.

**27. COMMITMENTS AND CONTINGENT LIABILITIES** (Continued)

Subsequent to December 31, 2020, the Company entered in an agreement with an Officer of the Company that in the case of termination, the officer would be entitled to an amount equal to US$60,000 and in the case of a change of control of the Company, the officer under certain circumstances would be entitled to an amount equal to US$60,000.

On April 12, 2019, the Company received notice of a civil claim filed by two former officers and directors seeking payment in the amount of $1,092,000 each for change of control payments. In connection with these proceedings, a pre-judgement garnishment order had been granted by the BC Registrar, on April 12, 2019, without prior notice to Bonterra. The Supreme Court of BC set aside the garnishment and ordered the immediate return of the funds to Bonterra on June 20, 2019 and the Court of Appeal confirmed the decision on July 26, 2019. These funds were included in the cash balance as at May 31, 2019. The Company has accrued in its trade and other payables a termination fee of $Nil as at December 31, 2020 (2019 - $Nil and May 31, 2019 - $1,056,000).

On April 26, 2019, the Company received notice of claims in the amount of $246,000 that was filed by three former consultants of the Company, claiming a contractual breach. Two of the consultants have abandoned their claims, as payment in full had been made on such claims prior to the proceedings being filed with the Courts in the year ended May 31, 2019. One consultant's claim remained, in the amount of $90,000.

In October 2019, the Company settled both of these two claims (April 12, 2019 and April 26, 2019) for a combined cash payment of $1,000,000.

b) The Company has entered into an office sublease agreement commencing September 1, 2017 and expiring August 30, 2022. During the year ended May 31, 2019, the Company transferred its responsibility under the lease to another party.

c) On September 9, 2013, the Ministry of Energy and Natural Resources of Quebec approved the update of the restoration plan of the Bachelor mine. The financial guarantee covering the restoration costs amount to $4,000,104 which has been covered by insurance bonds as at December 31, 2020.

**28. SUBSEQUENT EVENTS**

(i) Subsequent to December 31, 2020, and on April 7, 2021, the Company completed a brokered private placement for gross proceeds of $17,472,300. The Company issued (a) 2,350,000 common shares of the Company (the "Shares") at a price of $1.05 per common share for gross proceeds of $2,467,500, and (b) 10,420,000 flow-through shares of the Company (the "FT Shares") at a price of $1.44 per FT Share for gross proceeds of $15,004,800.