# Financial statements of
# Maple Gold Mines Ltd.
(An Exploration Stage Company)

December 31, 2020

Deloitte.

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# Independent Auditor's Report

To the Shareholders of Maple Gold Mines Ltd.

## Opinion

We have audited the financial statements of Maple Gold Mines (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

## Other Information

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

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

We obtained Management's Discussion and Analysis 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
Vancouver, BC
March 25, 2021

**Maple Gold Mines Ltd.**

**Statement of financial position**

As at December 31, 2020

(Expressed in Canadian dollars)

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | **20,014,801** | 4,102,551 |
| Sales taxes receivable | | **243,642** | 139,156 |
| Sublease receivables | 9(a) | **—** | 163,351 |
| Mineral exploration tax credit receivable | 2(c)(ii) | **—** | 399,966 |
| Prepaid expenses and deposits | | **725,344** | 475,729 |
| | | **20,983,787** | 5,280,753 |
| Property and equipment | 5 | **563,679** | 555,092 |
| | | **21,547,466** | 5,835,845 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | **1,410,300** | 635,679 |
| Flow-through share premium liability | 7 | **—** | 800,428 |
| Payable to Revenu Quebec | 8 | **446,689** | 445,012 |
| Lease liabilities – current portion | 9(b) | **309,911** | 404,957 |
| | | **2,166,900** | 2,286,076 |
| Non-current liabilities | | | |
| Lease liabilities | 9(b) | **194,985** | 179,602 |
| Loan payable | 10 | **40,000** | — |
| Provision for site reclamation and closure | 6 | **50,384** | 50,384 |
| | | **2,452,269** | 2,516,062 |
| **Equity** | | | |
| Share capital | 11 | **67,085,588** | 49,167,035 |
| Reserves | 11 | **13,724,236** | 11,398,483 |
| Deficit | | **(61,714,627)** | (57,245,735) |
| | | **19,095,197** | 3,319,783 |
| | | **21,547,466** | 5,835,845 |

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

Approved by the Board

***/s/ B. Matthew Hornor***

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B. Matthew Hornor, Director

***/s/ Sean Charland***

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Sean Charland, Director

## Maple Gold Mines Ltd.

**Statement of loss and comprehensive Loss**

Year ended December 31, 2020

(Expressed in Canadian dollars)

| | Notes | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **Operating expenses (income)** | | | |
| Exploration and evaluation expenses | 6 | **2,460,519** | 2,155,378 |
| General and administrative | 12 | **3,013,895** | 1,829,704 |
| Finance income | | **(286,702)** | (249,584) |
| Finance expense | | **81,608** | 320,678 |
| Amortization of flow-through share premium | 7 | **(800,428)** | (392,823) |
| Loss on disposition of property and equipment | | **—** | 5,269 |
| Loss and comprehensive loss for the year | | **4,468,892** | 3,668,622 |
| **Basic and diluted loss per share** | 15 | **0.02** | 0.02 |
| **Weighted average number of common shares outstanding (basic and diluted)** | | **256,443,259** | 223,594,588 |

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

**Maple Gold Mines Ltd.**

## Statement of changes in equity

Year ended December 31, 2020

(Expressed in Canadian dollars, except share amounts)

Equity attributable to shareholders

| | | Share capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| | Notes | Number | Amount $ | Share-based payments reserve $ | Warrants reserve $ | Total reserves $ | Deficit $ | Total $ |
| **Balance, January 1, 2019** | | 208,468,772 | 46,315,337 | 2,903,618 | 8,119,259 | 11,022,877 | (53,577,113) | 3,761,101 |
| Shares and warrants issued pursuant to a private placement, net of share issue costs and flow-through share premium liability | 11(b)(iv) | 18,400,000 | 1,816,536 | — | — | — | — | 1,816,536 |
| Shares issued in settlement of debt | 11(b)(v) | 568,182 | 62,500 | — | — | — | — | 62,500 |
| Shares and warrants issued pursuant to a private placement, net of share issue costs and flow-through share premium liability | 11(b)(vi) | 11,750,000 | 972,662 | — | — | — | — | 972,662 |
| Share-based payments | 11(c) | — | — | 375,606 | — | 375,606 | — | 375,606 |
| Comprehensive loss | | — | — | — | — | — | (3,668,622) | (3,668,622) |
| **Balance, December 31, 2019** | | 239,186,954 | 49,167,035 | 3,279,224 | 8,119,259 | 11,398,483 | (57,245,735) | 3,319,783 |
| Shares issued pursuant to a private placement, net of share issue costs | 11(b)(i) | 27,941,173 | 4,657,421 | — | — | — | — | 4,657,421 |
| Shares issued pursuant to a private placement, net of share issue costs | 11(b)(ii) | 25,838,821 | 4,356,224 | — | 1,782,878 | 1,782,878 | — | 6,139,102 |
| Shares issued pursuant to a prospectus, net of share issue costs | 11(b)(iii) | 27,800,000 | 8,858,334 | — | — | — | — | 8,858,334 |
| Options exercised | 11(c) | 299,900 | 46,025 | (12,039) | — | (12,039) | — | 33,986 |
| Warrants exercised | 11(d) | 1,000 | 550 | — | (150) | (150) | — | 400 |
| Share-based payments | 11(c) | — | — | 555,063 | — | 555,063 | — | 555,063 |
| Comprehensive loss | | — | — | — | — | — | (4,468,892) | (4,468,892) |
| **Balance, December 31, 2020** | | **321,067,848** | **67,085,588** | **3,822,248** | **9,901,987** | **13,724,236** | **(61,714,627)** | **19,095,197** |

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

(Expressed in Canadian dollars, unless otherwise stated)

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| **Operating activities** | | |
| Loss for the year | **(4,468,892)** | (3,668,622) |
| Adjustments for | | |
| Amortization of flow-through share premium | **(800,428)** | (392,823) |
| Depreciation | **357,465** | 414,876 |
| Share-based payments | **555,063** | 375,606 |
| Finance income | **(18,231)** | (129,211) |
| Finance expense | **77,374** | 276,296 |
| Lease modification | **(46,323)** | — |
| Loss on disposition of property and equipment | **—** | (2,557) |
| Changes in non-cash working capital items | | |
| Sales taxes receivable | **(104,486)** | (96,145) |
| Mineral exploration tax credit receivable | **399,966** | 1,519,490 |
| Prepaid expenses and deposits | **(249,615)** | (50,173) |
| Accounts payable and accrued liabilities | **780,951** | (198,243) |
| Payable to Revenu Quebec | **1,677** | 39,981 |
| | **(3,515,479)** | (1,911,525) |
| **Investing activities** | | |
| Acquisition of property and equipment | **(14,084)** | (31,246) |
| Proceeds on sale of property and equipment | **—** | 16,546 |
| | **(14,084)** | (14,700) |
| **Financing activities** | | |
| Proceeds from issuance of common shares, net of share issue costs | **19,654,857** | 3,727,698 |
| Receipt of CEBA loan | **40,000** | — |
| Repayment of lease liabilities | **(469,012)** | (823,210) |
| Receipt of sublease receivables | **181,582** | 337,948 |
| Proceeds from option exercises | **33,986** | — |
| Proceeds from warrant exercise | **400** | — |
| | **19,441,813** | 3,242,436 |
| Net change in cash and cash equivalents | **15,912,250** | 1,316,211 |
| Cash and cash equivalents, beginning of year | **4,102,551** | 2,786,340 |
| **Cash and cash equivalents, end of year** | **20,014,801** | 4,102,551 |

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

## 1. Corporate information

Maple Gold Mines Ltd. (the "Company" or "Maple Gold") is a company domiciled in Canada. Maple Gold was incorporated on June 3, 2010 under the Ontario Business Corporations Act and was continued under the Canada Corporations Act by articles of continuance dated June 22, 2011 and subsequently was continued under the British Columbia Business Corporations Act on January 7, 2021. The address of the Company's registered office is 2200-885 West Georgia Street, Vancouver, BC V6C 3E8. The Company is primarily involved in the exploration of mineral resources.

On January 11, 2021, the Company incorporated a wholly owned subsidiary, MGM Douay Gold Project Ltd, under the Canada Business Corporations Act.

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The COVID-19 outbreak and related mitigation measures have had an adverse impact on global economic conditions resulting in government response actions, social distancing, business closures and disruptions. Epidemic diseases, such as COVID-19, may have a significant impact on the Company. The duration of the pandemic and its impact on the Company's financial performance and position is an area of estimation uncertainty and judgment, which is continuously monitored and reflected in management's estimates.

## 2. Basis of presentation

*(a) Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on March 25, 2021.

*(b) Basis of preparation*

These financial statements have been prepared on a historical cost basis. The presentation currency is the Canadian dollar; therefore, all amounts are presented in Canadian dollars unless otherwise noted.

*(c) Critical accounting judgments and estimates*

The preparation of the financial statements in conformity with IFRS requires management to select accounting policies and make estimates and judgments that may have a significant impact on the financial statements. Estimates are continuously evaluated and are based on management's experience and expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates.

Critical judgments exercised in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements are as follows:

*(i) Going concern risk assessment*

Management considers whether there exists any event(s) or condition(s) that may cast significant doubt on the Company's ability to continue as a going concern. Considerations take into account all available information about the future including the availability of debt and equity financing as well as the Company's working capital balance and future commitments.

## 2. Basis of presentation (continued)

*(c) Critical accounting judgments and estimates (continued)*

*(ii) Mineral exploration tax credits recoverable ("METC")*

Due to complex tax laws and regulations, the Company estimates amounts recoverable as METC based on returns filed, the assessment history of the filings by the respective regulatory authorities and the expected recoverable amount on claimable qualifying expenditures. METC's complexity requires management to make judgments about the eligible exploration expenditures.

The Company has received METC payments from Revenu Quebec with respect to the 2011 to 2014 tax years and these tax years are currently under audit by Revenu Quebec (Note 8). The 2015 to 2019 METC claims have been audited by Revenu Quebec and final payments received.

*(iii) Leases*

Management applies judgment to determine whether a contract is, or contains, a lease from both a lessee and lessor perspective. This assessment is based on whether the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Key judgments include whether a contract identifies an asset (a portion of an asset may be identified), whether the lessee obtains substantially all of the economic benefits of the asset over the contract term, and whether the lessee has the right to direct the asset's use. Judgment is also applied in determining the rate used to discount the lease payments.

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are:

*(i) Provisions*

Provisions recognized in the financial statements involve judgments on the occurrence of future events, which could result in a material outlay for the Company.
In determining whether an outlay will be material, the Company considers the expected future cash flows based on facts, historical experience and probabilities associated with such future events. Uncertainties exist with respect to estimates made by management and as a result, the actual expenditure may differ from amounts currently reported.

*(ii) Share-based compensation*

The Company determines the fair value of share options granted using the Black-Scholes option pricing model. This option pricing model requires the development of market-based subjective inputs, including the risk-free interest rate, expected price volatility and expected life of the option. Changes in these inputs and the underlying assumption used to develop them can materially affect the fair value estimate.

*(iii) Income taxes*

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and to apply those findings to the Company's transactions.

## 2. Basis of presentation (continued)

*(c) Critical accounting judgments and estimates (continued)*

*(iv) Leases*

Management applies its best estimate with respect to the likelihood of renewal, extension and termination option exercise in determining the lease term.

*(d) Changes in accounting policies*

*Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments are intended to clarify the definition of material in IAS 1 and not intended to alter the underlying concept of materiality in IFRS standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence".

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term "material" to ensure consistency.

The Company adopted the amendments to IAS 1 and IAS 8 effective January 1, 2020, which did not have a material impact on the Company's financial statements.

*(e) Accounting policies not yet adopted*

*Amendments to IAS 1 – Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the impact of this adoption and it is expected not to materially impact the financial statements.

## 3. Significant accounting policies

*(a) Foreign currency translation*

The financial statements of the Company are prepared in its functional currency determined on basis of the primary economic environment in which it operates. The presentation and functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. At each reporting date, monetary items denominated in foreign currencies are translated into the entity's functional currency at the then prevailing rates and non-monetary items measured at historical cost are translated into the entity's functional currency at rates in effect at the date the transaction took place.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are included in the statements of loss and comprehensive loss for the period in which they arise.

*(b) Cash and cash equivalents*

Cash and cash equivalents consist of highly liquid short-term investments that are readily convertible to cash and have maturities with terms of less than ninety days and/or with original maturities over ninety days but redeemable on demand without penalty.

*(c) Mineral Exploration Tax Credits ("METC")*

The Company recognizes METC amounts when the Company's METC application is approved by relevant taxation authorities or when the amount to be received can be reasonably estimated and collection is reasonably assured. These METC amounts are offset against exploration and evaluation expenses.

*(d) Joint arrangements*

The Company undertakes some of its exploration and evaluation activities through joint arrangements. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that most significantly affect the returns from the arrangement) require the unanimous consent of the parties sharing control. The Company currently has one type of joint arrangement.

A joint operation is a joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In relation to its interests in joint operations, the financial statements of the Company include:

• Assets, including its share of any assets held jointly;

• Liabilities, including its share of any liabilities incurred jointly; and

• Exploration and evaluation expenses, including its share of any expenses incurred jointly.

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the Company's interest in each asset, liability, income and expense of the joint operation.

When the Company, acting as Lead Manager of the joint operation, receives reimbursement of direct costs recharged to the joint operation, such recharges represent reimbursements of costs that the Company incurred as an agent for the joint operation, and therefore have no effect on profit or loss.

## 3. Significant accounting policies (continued)

*(d) Joint arrangements (continued)*

When the Company charges a fee to cover other costs incurred, such as reimbursement for leasing fees, in carrying out the activities on behalf of the joint operation, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognized in the statement of profit or loss and other comprehensive income as an expense and other income, respectively. The Company accounts for these amounts as other income, under IFRS 15, Revenue from Contracts with Customers.

Amounts received from the joint operation's other operator are deferred to the extent that the Company has future committed funding performance obligations to the joint operation. The deferred amounts are recognized as income as the Company fulfills its funding performance obligation by incurring exploration and evaluation expenditures at the joint operation. To the extent that there are no future committed funding performance obligations, amounts received are recognized directly into income.

*(e) Property and equipment*

Property and equipment is stated at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives as follows:

| | |
|---|---|
| Camp equipment | 5 years |
| Computer equipment | 3 years |
| Leasehold improvements | Lower of term of lease or economic life |
| Office furniture | Lower of term of lease or economic life |

Amortization methods, useful lives and residual values are reviewed periodically and at each financial year end and adjusted it appropriate

*(f) Exploration and evaluation expenses*

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing historical characteristic of many properties. The Company has investigated title to its mineral property and, to the best of its knowledge title to its property is in good standing.

The costs of acquiring rights to explore, exploratory drilling and related costs incurred on sites without an existing mine and on areas outside the boundary of a known mineral deposit which contain proven and probable reserves are exploration and evaluation expenses and are expensed as incurred to the date of establishing that costs incurred are economically recoverable. Exploration and evaluation expenses incurred subsequent to the establishment of economic recoverability are capitalized and included in the carrying amount of the related mining property.

Management uses the following criteria in its assessments of economic recoverability and probability of future economic benefit:

(i) Geology: there is sufficient geologic certainty of converting a mineral deposit into a proven and probable reserve. There is a history of conversion to reserves at operating mines;

## 3. Significant accounting policies (continued)

*(f) Exploration and evaluation expenses (continued)*

(ii) Scoping, prefeasibility or feasibility: there is a scoping study, prefeasibility or preliminary feasibility study that demonstrates the additional reserves and resources will generate a positive commercial outcome. Known metallurgy provides a basis for concluding there is a significant likelihood of being able to recover the incremental costs of extraction and production;

(iii) Accessible facilities: the mineral deposit can be processed economically at accessible mining and processing facilities where applicable;

(iv) Life of mine plans: an overall life of mine plan and economic model to support the economic extraction of reserves and resources exists. A long-term life of mine plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body; and

(v) Authorizations: operating permits and feasible environmental programs exist or are obtainable.

Prior to capitalizing exploratory drilling, evaluation, development and related costs, management determines that the following conditions have been met:

(i) It is probable that a future economic benefit will flow to the Company;

(ii) The Company can obtain the benefit and controls access to it;

(iii) The transaction or event giving rise to the future economic benefit has already occurred; and

(iv) Costs incurred can be measured reliably.

*(g) Provisions*

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

*(h) Provision for site reclamation and closure*

An obligation to incur rehabilitation and site restoration costs arises when environmental disturbance is caused by the exploration, development or on-going production of a mineral property interest. Costs for restoration of subsequent site damage, which is created on an on-going basis during production, are provided for at their estimated net present values and will be charged against earnings as extraction progresses.

## 3. Significant accounting policies (continued)

*(i) Impairment of property and equipment*

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized immediately in the statement of loss and comprehensive loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal of impairment is recognized in the statement of loss and comprehensive loss.

*(j) Share-based compensation*

*Equity-settled share-based Option Plan*

From time to time, the Company grants stock options to employees and non-employees. An individual is classified as an employee, versus a non-employee, when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of stock options, measured using the Black-Scholes option pricing model at the date of grant, is charged to the statement of loss and comprehensive loss over the vesting period. Performance vesting conditions and forfeitures are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

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

Equity instruments granted to non-employees are recorded in the statement of loss and comprehensive loss at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for a share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

## 3. Significant accounting policies (continued)

*(j) Share-based compensation (continued)*

*Equity-settled share-based Option Plan (continued)*

All equity-settled share-based payments are recorded in equity reserves until exercised. Upon exercise, shares are issued from treasury and the amount previously recorded in equity reserves is reclassified to share capital along with any consideration paid.

*Restricted Share Unit ("RSU") Plan and Deferred Share Unit ("DSU") Plan*

The Company adopted an RSU and DSU plan for its employees, directors and eligible consultants. The Company determines whether to account for RSUs or DSUs, as the case maybe, as equity-settled or cash-settled share-based payment based on the contractual terms of the arrangement.

At grant date, the fair value of RSUs or DSUs is estimated using the quoted market price of the underlying common shares of the Company and expensed over the vesting period as share-based payment in the statement of loss and comprehensive loss, with a corresponding increase in equity for an equity-settled award or with a corresponding recognition of liability for a cash-settled award; and in the case of the latter, the liability is marked to market using quoted market price of the underlying common shares at the end of each reporting period.

*(k) Flow-through common shares*

Canadian income tax legislation permits companies to issue flow-through instruments whereby the income tax deductions generated by eligible expenditures of the Company, defined in the Income Tax Act (Canada) as qualified Canadian exploration expenses, are claimed by the investors rather than by the Company. Shares issued on a flow-through basis are typically sold at a premium above the market share price which relates to the tax benefits that will flow through to the investors. The Company often issues flow-through shares as part of its equity financing transactions in order to fund its exploration activities. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the flow-through share price over the market share price of the common shares without the flow-through feature at the time of subscription. The premium is recorded as a liability which represents the Company's obligation to spend the flow-through funds on eligible expenditures and is amortized through the statement of loss as the eligible expenditures are incurred.

*(l) Income taxes*

Income tax reported in the statement of loss and comprehensive loss for the period presented comprises current and deferred income tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current income tax for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or recoverable with regards to previous periods.

Deferred income tax is determined using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred income tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the expected future tax rates enacted or substantively enacted at the reporting date.

## 3. Significant accounting policies (continued)

*(l) Income taxes (continued)*

A deferred income tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

*(m) Loss per share*

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. The diluted loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding on a diluted basis. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period.

*(n) Leased assets*

Lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease, if this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in property and equipment, and sublease receivables and the lease liability are presented as separate lines in the statement of financial position.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the statement of loss and comprehensive loss.

## 3. Significant accounting policies (continued)

*(n) Leased assets*

Lessor

Lessor leases are classified as either operating leases or finance leases according to the substance of the contract. Leases transferring substantially all of the risks incidental to asset ownership are classified as finance leases, while all other leases are classified as operating leases. Subleases are classified as either operating or finance leases in reference to the ROU asset arising from the head lease.

Assets under finance lease are recognized in finance lease receivables at the value of the net investment in the lease. The net investment in the lease is measured at the net present value of the future amounts receivable, discounted using the interest rate implicit in the lease, if this rate cannot be readily determined, the Company uses its incremental borrowing rate. Finance income is recognized over the lease term in a pattern reflecting a consistent rate of return on the finance lease receivable.

*(o) Financial instruments*

The Company recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contract creating the asset or liability.

On initial recognition, all financial assets and liabilities are recorded by the Company at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as FVTPL for which transaction costs are expensed in the period in which they are incurred.

Amortized cost

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets at amortized cost primarily include cash and deposits.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial assets classified as FVTOCI.

## 3. Significant accounting policies (continued)

*(o) Financial instruments (continued)*

*Fair value through other comprehensive income ("FVTOCI") (continued)*

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

Financial assets measured subsequently at fair value through profit or loss (“FVTPL”)

By default, all other financial assets are measured subsequently at FVTPL.

The Company, at initial recognition, may also irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship. Fair value is determined in the manner described in note 16.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method.

The Company's financial liabilities at amortized cost primarily include accounts payable and accrued liabilities and loan payable.

Financial instruments designated as hedging instruments

The Company does not currently apply nor have a past practice of applying hedge accounting to financial instruments.

(Expressed in Canadian dollars, unless otherwise stated)

## 3. Significant accounting policies (continued)

*(p) Impairment of financial assets*

IFRS 9 requires an 'expected credit loss' model to be applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

*(q) Comprehensive loss*

Other comprehensive loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive loss comprises net loss and other comprehensive loss.

## 4. Cash and cash equivalents

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Components of cash and cash equivalents | | |
| Cash | **18,195,440** | 2,294,731 |
| Cash equivalents | **1,819,361** | 1,807,820 |
| | **20,014,801** | 4,102,551 |

As at December 31, 2020, the Company had the obligation to spend approximately Nil (approximately $2,894,514 as at December 31, 2019) in exploration expenditures related to flow-through share issuances by December 31, 2020.

(Expressed in Canadian dollars, unless otherwise stated)

## 5. Property and equipment

| | Right of use assets $ | Camp equipment $ | Computer equipment $ | Office furniture $ | Leasehold improvements $ | Total $ |
|---|---|---|---|---|---|---|
| Cost | | | | | | |
| Balance, December 31, 2018 | — | 71,175 | 126,315 | 17,214 | 107,786 | 322,490 |
| Adjustment on initial application of IFRS 16 (Note 2) | 983,591 | — | — | — | — | 983,591 |
| Additions | — | 31,246 | — | — | — | 31,246 |
| Disposals | (255,947) | (16,546) | — | (5,330) | (7,746) | (285,569) |
| Balance, December 31, 2019 | 727,644 | 85,875 | 126,315 | 11,884 | 100,040 | 1,051,758 |
| Additions | 358,298 | — | 2,084 | 12,000 | — | 372,382 |
| Disposals | (98,890) | — | — | — | — | (98,890) |
| Balance, December 31, 2020 | **987,052** | **85,875** | **128,399** | **23,884** | **100,040** | **1,325,250** |
| Accumulated depreciation | | | | | | |
| Balance, December 31, 2018 | — | 17,794 | 71,418 | 7,530 | 32,423 | 129,165 |
| Depreciation | 323,991 | 14,529 | 39,048 | 3,961 | 33,347 | 414,876 |
| Disposals | (44,025) | — | — | (2,576) | (774) | (47,375) |
| Balance, December 31, 2019 | 279,966 | 32,323 | 110,466 | 8,915 | 64,996 | 496,666 |
| Depreciation | 286,303 | 17,175 | 13,972 | 4,971 | 35,044 | 357,465 |
| Disposals | (92,560) | — | — | — | — | (92,560) |
| Balance, December 31, 2020 | **473,709** | **49,498** | **124,438** | **13,886** | **100,040** | **761,571** |
| Net book value | | | | | | |
| December 31, 2019 | 447,678 | 53,552 | 15,849 | 2,969 | 35,044 | 555,092 |
| December 31, 2020 | **513,343** | **36,377** | **3,961** | **9,998** | **—** | **563,679** |

## 6. Douay Gold Project

The accumulated exploration and evaluation expenses, which have been incurred, are as follows:

| | **2020** **$** | 2019 $ |
|---|---|---|
| Artificial intelligence study | **50,000** | — |
| Camp set up, camp costs and field supplies | **451,826** | 266,805 |
| Depreciation | **256,753** | 256,488 |
| Drilling and core assaying | **1,187,705** | 787,510 |
| Equipment rental and fuel | **6,165** | 53,488 |
| Environmental | **2,379** | 3,762 |
| Geology and technical reports | **13,125** | 238,578 |
| Geophysics | **297,580** | 129,428 |
| Licenses and permits | **55,298** | 34,682 |
| Other exploration support costs | **54,037** | 69,937 |
| Salaries and benefits | **748,637** | 691,082 |
| Share-based payments | **112,528** | 58,271 |
| | **3,236,033** | 2,590,031 |
| Mineral exploration tax credits | **(727,386)** | (399,966) |
| Recoveries from JV partners | **(48,128)** | (34,687) |
| | **2,460,519** | 2,155,378 |
| Opening accumulated expenses | **45,639,991** | 43,484,613 |
| Closing accumulated expenses | **48,100,510** | 45,639,991 |

(Expressed in Canadian dollars, unless otherwise stated)

## 6. Douay Gold Project (continued)

*Site reclamation and closure*

The Company recognizes a provision for site reclamation and closure, which reflects the present value of the estimated amount of cash flows required to satisfy the site reclamation and closure obligation in respect of the Douay Gold Project. The components of this obligation are the removal of buildings and hoist equipment at the site as well as costs associated with the reclamation of the camp housing and work sites on the property. The estimate of future site reclamation obligation is subject to change based on amendments to applicable laws, management's intentions, and mining lease renewals.

The present value of future estimated cash flows required to settle the site reclamation and closure obligation was estimated at $50,384. The key assumptions on which this estimate is based are:

- Undiscounted cash flow for site reclamation of $50,000 ($50,000 in 2019).
- Expected timing of future cash flows is based on mining leases expiration, which are forecast to occur in various months in 2023.
- Annual inflation rate 1.49% (2019 – 1.83%).
- Risk-free interest rate 0.20% (2019 – 1.69%).

## 7. Flow-through share premium liability

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **800,428** | 254,750 |
| Flow-through share premium liability at issuance (i) (ii) (iii | **—** | 938,500 |
| Amortization of flow-through share premium | **(800,428)** | (392,822) |
| Balance, end of year | **—** | 800,428 |

(i) On December 23, 2019, the Company completed a non-brokered private placement for gross proceeds of $1,218,000 through the issuance of 8,700,000 flow-through shares at a price of $0.14 per flow-through share (note 11(b)(vi)). The flow-through shares were issued at a premium of $0.055 per flow-through share, with the total flow-through share premium liability related to the 8,700,000 flow-through shares issued being $478,500, representing the Company's obligation to spend the $1,218,000 on eligible expenditures. The liability has been fully amortized as of December 31, 2020.

(ii) On March 26, 2019, the Company completed a non-brokered private placement for gross proceeds of $2,300,000 through the issuance of 18,400,000 flow-through shares at a price of $0.125 per flow-through share (note 11(b)(iv)). The flow-through shares were issued at a premium of $0.025 per flow-through share, with the total flow-through share premium liability related to the 18,400,000 flow-through shares issued being $460,000, representing the Company's obligation to spend the $2,300,000 on eligible expenditures. The liability has been fully amortized as of December 31, 2020.

(iii) On June 1, 2018, the Company completed a non-brokered private placement for gross proceeds of approximately $2,499,990 through the issuance of 8,333,300 flow-through shares at a price of $0.30 per flow-through share. The flow-through shares were issued at a premium of $0.07 per flow-through share, with the total flow-through share premium liability related to the 8,333,300 flow-through shares issued being $583,331, representing the Company's obligation to spend the $2,499,990 on eligible expenditures. The liability was fully amortized as of December 31, 2019.

(Expressed in Canadian dollars, unless otherwise stated)

## 8. Payable to Revenu Quebec

Revenu Quebec has conducted audits of the Company's mineral exploration tax credit filings for the 2011 to 2019 tax years. Revenu Quebec has disallowed certain amounts that the Company believes are claimable qualifying expenditures. The Company intends to defend its filing positions and the Company has filed notice of objections with Revenu Quebec's Appeals Division for each of the years 2011 to 2014, although there is no way of knowing to what extent the Company will be successful in its objections.

## 9. Leases

*(a) Sublease receivables*

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **163,351** | — |
| Sublease receivables recognized on adoption of IFRS 16 | **—** | 1,027,983 |
| Lease payments received | **(181,582)** | (337,948) |
| Interest income on sublease receivables | **18,231** | 129,211 |
| Sublease additions | **—** | 105,833 |
| Sublease terminations | **—** | (761,728) |
| | **—** | 163,351 |
| Less: current portion | **—** | (163,351) |
| Balance, end of year | **—** | — |

*(b) Lease liabilities*

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **584,559** | — |
| Lease liabilities recognized on adoption of IFRS 16 | **—** | 2,011,574 |
| Lease payments made | **(469,012)** | (823,210) |
| Lease modification | **(46,323)** | — |
| Interest expense on lease liabilities | **77,374** | 276,296 |
| Lease additions | **358,298** | — |
| Lease termination | **—** | (880,101) |
| | **504,896** | 584,559 |
| Less: current portion | **(309,911)** | (404,957) |
| Balance, end of year | **194,985** | 179,602 |

## 10. Loan payable

During the year ended December 31, 2020, the Company applied for the COVID-19 Relief Line of Credit as part of the Government-sponsored Canada Emergency Business Account (CEBA). The Company received a CEBA loan of $40,000 which is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid before December 31, 2022, the balance of the loan will be forgiven.

## 11. Share capital and reserves

*(a) Authorized*

Unlimited common shares without par value.

*(b) Share issuances*

*Year ended December 31, 2020*

(i) On July 31, 2020 and August 10, 2020, the Company closed the first and second tranches, respectively, of a non-brokered private placement of 27,941,173 common shares at a price of $0.17 per share for gross proceeds of $4,750,000. In connection with the placement, the Company incurred a total of $92,579 in cash share issuance costs.

(ii) On October 13, 2020, the Company issued 25,838,821 units of the Company (collectively, the "Units") to Agnico in a non-brokered private placement at a price of $0.239 per Unit for total consideration of approximately $6,175,478 (the "Agnico Strategic Investment"). In connection with the placement, the Company incurred a total of $36,376 in cash share issuance costs.

Each Unit is comprised of one common share and one warrant (a "Unit Warrant"). Each Unit Warrant entitles the holder to acquire one common share at a price of $0.34 for a period of three years from issuance, subject to acceleration of the expiry date, at the option of Maple Gold, in the event the common shares trade on the Exchange above $0.60 for a period of twenty consecutive trading days at any time following two years from the closing date of the Agnico Strategic Investment. Consideration allocated to the 25,838,821 Unit Warrant's was determined using the residual method with the value of the common shares being determined using market price with the balance of the $6,175,478 allocated to the Unit Warrant.

On October 13, 2020, in connection with the Agnico Strategic Investment, the Company and Agnico entered into the Agnico Investor Rights Agreement pursuant to which Agnico was granted certain rights, provided Agnico maintains certain ownership thresholds in Maple Gold, including: (i) the right to participate in equity financings in order to maintain its *pro rata* ownership in the Company at the time of such financing or acquire up to a 19.90% ownership interest in the Company; and (ii) the right (which Agnico has no present intention of exercising) to nominate one person (and in the case of an increase in the size of the Board to eight or more directors, two persons) to the Board of Directors.

(iii) On December 30, 2020, the Company closed a bought deal offering of 27,800,000 common shares at a price of $0.36 per common share for gross proceeds of $10,008,000. In connection with the prospectus offering, the Company incurred a total of $1,149,666 in cash share issuance costs, including $565,134 as a commission to the underwriter.

(Expressed in Canadian dollars, unless otherwise stated)

## 11. Share capital and reserves (continued)

*(b) Share issuances (continued)*

*Year ended December 31, 2019*

(iv) On March 26, 2019, the Company closed a non-brokered private placement of 18,400,000 flow through common shares at a price of $0.125 per share for gross proceeds of $2,300,000. In connection with the flow-through share placement, the Company incurred a total of $23,464 in cash share issuance costs.

A reconciliation of the impact of the non brokered private placement on the common shares is as follows:

| | Number of common shares # | Amount $ |
|---|---|---|
| Private placement – flow–through shares | 18,400,000 | 2,300,000 |
| Share issuance costs | — | (23,464) |
| | 18,400,000 | 2,276,536 |
| Flow–through share premium liability (Note 7) | — | (460,000) |
| | **18,400,000** | **1,816,536** |

(v) On April 8, 2019, the Company issued 568,182 common shares at a price of $0.11 per common share in settlement of certain outstanding obligations.

(vi) On December 23, 2019, the Company closed a non-brokered private placement of 8,700,000 flow through common shares at a price of $0.14 per flow through common share and 3,050,000 common shares at a price of $0.08 per common share for gross proceeds of $1,462,000. In connection with the common share placement, the Company incurred a total of $10,838 in cash share issuance costs.

A reconciliation of the impact of the non brokered private placement on the common shares is as follows:

| | Number of common shares # | Amount $ |
|---|---|---|
| Private placement – flow–through shares | 8,700,000 | 1,218,000 |
| Private placement – common shares | 3,050,000 | 244,000 |
| Share issuance costs | — | (10,838) |
| | 11,750,000 | 1,451,162 |
| Flow–through share premium liability (Note 7) | — | (478,500) |
| | **11,750,000** | **972,662** |

(Expressed in Canadian dollars, unless otherwise stated)

## 11. Share capital and reserves (continued)

### (c) *Stock options*

On December 17, 2020, the Company adopted a rolling Equity Incentive Plan (the "Plan"), pursuant to which eligible directors, officers, employees, and consultants may be granted stock options, RSUs and DSUs. The aggregate maximum number of common shares available for issuance from treasury underlying RSUs and DSUs under the Plan is 12,000,000 common shares (9,000,000 for RSUs and 3,000,000 for DSUs). The Plan also includes a purchase program for eligible employees to purchase Program Shares.

The aggregate number of Common Shares that may be subject to issuance under the Plan, together with any other securities based compensation arrangements of the Company, shall not exceed 10% of the Company's issued and outstanding common shares at the time of the grant.

As at December 31, 2020, no RSU's and DSU's had been granted.

The continuity of the number of stock options issued and outstanding is as follows:

| | Number of Stock options<br>## | Weighted average Exercise price<br>$ |
|---|---|---|
| Outstanding, December 31, 2018 | 10,245,000 | 0.27 |
| Granted | 7,330,000 | 0.16 |
| Cancelled/Forfeited | (5,895,000) | 0.22 |
| Outstanding, December 31, 2019 | 11,680,000 | 0.23 |
| Granted | 12,050,000 | 0.12 |
| Exercised | (299,900) | 0.11 |
| Cancelled/Forfeited | (700,000) | 0.18 |
| Outstanding, December 31, 2020 | **22,730,100** | **0.17** |

As at December 31, 2020, the number of stock options outstanding and exercisable was:

| Expiry date | Number of options<br># | Exercise price<br>$ | Outstanding remaining contractual life (years) | Number of options<br># | Exercise price<br>$ | Exercisable remaining contractual life (years) |
|---|---|---|---|---|---|---|
| July 11, 2021 | 300,000 | 0.24 | 0.53 | 300,000 | 0.24 | 0.53 |
| November 28, 2021 | 780,000 | 0.25 | 0.91 | 780,000 | 0.25 | 0.91 |
| March 2, 2022 | 200,000 | 0.40 | 1.17 | 200,000 | 0.40 | 1.17 |
| May 3, 2022 | 3,300,000 | 0.30 | 1.34 | 3,300,000 | 0.30 | 1.34 |
| August 28, 2022 | 600,000 | 0.30 | 1.66 | 600,000 | 0.30 | 1.66 |
| October 10, 2022 | 325,000 | 0.30 | 1.78 | 325,000 | 0.30 | 1.78 |
| December 20, 2022 | 250,000 | 0.24 | 1.97 | 250,000 | 0.24 | 1.97 |
| January 25, 2023 | 300,000 | 0.30 | 2.07 | 225,000 | 0.30 | 2.07 |
| January 23, 2024 | 4,908,400 | 0.16 | 3.06 | 3,250,068 | 0.16 | 3.06 |
| April 28, 2025 | 9,941,700 | 0.10 | 4.33 | 3,291,699 | 0.10 | 4.33 |
| June 1, 2025 | 300,000 | 0.10 | 4.42 | 100,000 | 0.10 | 4.42 |
| August 25, 2025 | 525,000 | 0.24 | 4.65 | 175,000 | 0.24 | 4.65 |
| September 11, 2025 | 750,000 | 0.20 | 4.70 | 250,000 | 0.20 | 4.70 |
| October 12, 2025 | 250,000 | 0.23 | 4.78 | 83,333 | 0.23 | 4.78 |
| | 22,730,100 | 0.17 | 3.29 | 13,130,100 | 0.21 | 2.67 |

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services. During the year ended December 31, 2020, an amount of $555,063 ($375,606 in 2019) was expensed as stock based compensation.

(Expressed in Canadian dollars, unless otherwise stated)

## 11. Share capital and reserves (continued)

### *(c) Stock options (continued)*

The fair values of the share options granted in 2020 and 2019 were estimated using the Black-Scholes option valuation model with the following assumptions:

| | 2020 Option grants | 2019 Option grants |
|---|---|---|
| Risk-free interest rate | **0.41%** | 1.92% |
| Expected dividend yield | **nil** | nil |
| Stock price volatility | **86%** | 78% |
| Expected life in years | **5** | 5 |
| Weighted average grant date fair value | **$0.06** | $0.06 |

The expected volatility assumption is based on the historical and implied volatility of the Company's common shares. The risk-free interest rate assumption is based on the Government of Canada benchmark bond yields and treasury bills with a remaining term that approximates the expected life of the stock options.

### *(d) Share purchase warrants*

The continuity of the number of share purchase warrants is as follows:

| | Warrants outstanding | Exercise price $ |
|---|---|---|
| Outstanding, December 31, 2018 | 75,321,870 | 0.32 |
| Expired | (44,287,720) | 0.27 |
| Outstanding, December 31, 2019 | 31,034,150 | 0.40 |
| Issued (Note 11(b)(ii)) | 25,838,821 | 0.34 |
| Exercised | (1,000) | 0.40 |
| Outstanding, December 31, 2020 | **56,871,971** | **0.37** |

As at December 31, 2020, the expiration date of the share purchase warrants is as follows:

| Expiry date | Number of warrants | Exercise price $ |
|---|---|---|
| June 27, 2022 | 31,033,150 | 0.40 |
| October 13, 2023 | 25,838,821 | 0.34 |
| | **56,871,971** | **0.37** |

(Expressed in Canadian dollars, unless otherwise stated)

## 12. General and administrative

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Business development | **238,487** | 169,769 |
| Depreciation | **100,712** | 158,388 |
| Directors' fees | **56,000** | 61,179 |
| Office and general | **148,858** | 135,730 |
| Professional fees | **792,813** | 251,992 |
| Regulatory transfer agent and shareholder information | **107,591** | 80,131 |
| Salaries and benefits | **509,625** | 429,977 |
| Share–based payments | **442,535** | 317,334 |
| Travel, marketing and investor relations | **617,274** | 225,204 |
| | **3,013,895** | 1,829,704 |

## 13. Related party balances and transactions

*Compensation of key management personnel*

During the year, compensation to key management personnel was as follows:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Salaries and benefits | **527,000** | 477,000 |
| Share-based payments | **268,314** | 263,306 |
| | **795,314** | 740,306 |

## 14. Segmented information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts.

## 15. Loss per share

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Loss attributable to ordinary shareholders | **4,468,892** | 3,668,622 |
| Weighted average number of common shares | **256,443,259** | 223,594,588 |
| Basic and diluted loss per share | **0.02** | 0.02 |

## 15. Loss per share (continued)

As at December 31, 2020, the Company had 22,730,100 share options (11,680,000 as at December 31, 2019) and 56,871,971 share purchase warrants (31,034,150 as at December 31, 2019) outstanding, all of which were anti-dilutive because the Company was in a loss position for the years ended December 31, 2020 and December 31, 2019.

## 16. Financial instruments

The Company’s financial instruments consist of cash and cash equivalents, deposits, accounts payable and accrued liabilities and loan payable. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
The following summarizes fair value hierarchy under which the Company’s financial instruments are valued:

- Level 1 – fair values based on unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – fair values based on inputs that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – fair values based on inputs for the asset or liability that are not based on observable market data.

As at December 31, 2020 and 2019, no financial instruments were measured at fair value.

No transfer occurred between the levels during the year.

The Company’s financial instruments are exposed to credit risk, liquidity risk, and market risks, which include currency risk and interest rate risk.

*(a) Credit risk*

Credit risk is the risk that a third party fails to discharge its obligations under the terms of the financial contract and causes a financial loss for the Company. The Company’s credit risk is attributable to its cash and cash equivalents and deposits. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalent balances in highly rated Canadian financial institutions. The Company considers the risk of loss associated with cash and cash equivalents to be low.

*(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 manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within twelve months of the statement of financial position date.

(Expressed in Canadian dollars, unless otherwise stated)

## 16. Financial instruments (continued)

*(c) Market risk*

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Significant market risks to which the Company is exposed are as follows:

*(i) Foreign currency risk*

The Company is exposed to currency risk by having balances and transactions in currencies that are different from its functional currency (the Canadian dollar). As at December 31, 2020 and 2019 and throughout 2020 and 2019, the Company held immaterial balances in foreign currencies. Foreign currency risk is considered to be minimal.

*(ii) Interest rate risk*

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company's exposure to interest rate risks is limited to potential increases or decreases on the interest rate offered on cash and cash equivalents held at chartered Canadian financial institutions, which would result in higher or lower relative interest income. This risk is considered to be minimal.

## 17. Income taxes

*(a) Income tax recovery provision*

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Loss before income taxes | **4,468,892** | 3,668,622 |
| Canadian federal and provincial income tax rates | **26.6%** | 26.6% |
| Expected income tax recovery | **(1,184,256)** | (975,853) |
| Increase (decrease) in income tax recovery resulting from | | |
| Non-deductible exploration and evaluation expenses | **(198,124)** | (45,645) |
| Flow-through shares renunciation | **749,334** | 470,773 |
| Share-based compensation | **147,092** | 99,911 |
| Amortization of flow-through share premium | **(212,113)** | (104,491) |
| Share issuance costs | **(338,835)** | (9,124) |
| Other | **5,209** | 63,830 |
| True up of prior year balances | **—** | 155,550 |
| Increase in unrecognized tax asset | **1,031,693** | 345,049 |
| Income tax recovery | **—** | — |

(Expressed in Canadian dollars, unless otherwise stated)

## 17. Income taxes (continued)

*(b) Unrecognized deferred tax assets*

Deferred income tax assets are only recognized to the extent that the realization of tax benefits is determined to be probable. As at December 31, 2020, the Company has not recognized the benefit of the following tax losses and deductible temporary differences:

| | **2020** | 2019 |
|---|---|---|
| | **$** | $ |
| Non-capital losses carried forward | **16,534,853** | 14,074,646 |
| Capital losses carried forward | **135,319** | 135,319 |
| Exploration and evaluation costs | **10,885,686** | 10,314,948 |
| Property and equipment | **430,144** | 324,915 |
| Share issuance costs | **1,251,845** | 494,837 |
| Site reclamation provision | **50,384** | 50,384 |
| | **29,288,231** | 25,395,049 |

*(c) Tax losses*

The Company has accumulated non-capital losses of approximately $16,534,853 ($14,074,646 in December 31, 2019) in Canada, which may be carried forward to reduce taxable income of future years. The non-capital losses will, if unused, expire between 2030 and 2040.

## 18. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of resource properties, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company considers the components of shareholders' equity to be its capital.

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 issue new shares or debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to maximize ongoing development efforts, the Company does not pay out dividends, does not have any long-term debt and is not subject to any externally imposed capital requirements.

The Company currently has sufficient working capital and is able to meet its ongoing current obligations as they become due. However, the Company will likely require additional capital in the future to meet its project related expenditures. Future liquidity will depend upon the Company's ability to arrange additional debt or equity financing, as the Company relies on equity financings to fund its exploration and corporate activities.

## 19. Subsequent events

(a) On February 2, 2021 the Company and Agnico Eagle Mines Limited ("Agnico") entered into the Joint Venture Agreement ("JV Agreement") pursuant to which the parties have agreed to form a 50-50 joint operation which will combine the Company's Douay Gold Project and Agnico's Joutel Project into a consolidated joint property package. The Douay Gold Project and Joutel Project (the latter hosting Agnico's past-producing Telbel mine) are contiguous properties located in the James Bay subregion of Northern Quebec.

The terms and conditions of the JV Agreement, provide (i) Agnico will fund the joint operation $16,000,000 in exploration expenses, and fund $2,000,000 directly to the Company over a four-year period; (ii) the Company will fund $2,000,000 in exploration expenses over the same four-year period and contribute Property and Equipment with an approximate value of $40,000 located at the Douay Gold Project (iii) Agnico and the Company in year 1 will jointly fund an additional $500,000 in exploration of VMS targets on the western portion of the Douay Gold Project; and (iv) Agnico and the Company will each be granted a 2% Net Smelter Royalty on the property that they contribute to the joint operation, each with aggregate buyback provisions of $40 million.

Committed funding to the joint operation from both operators is expected to occur as follows, $4,000,000 in each of years one and two, $5,000,000 in year three and $5,500,000 in year four.

(b) The Company granted 1,000,000 incentive stock options to certain directors and employees at exercise prices between $0.325 and $0.385 and 5 year terms.

(c) The Company granted 550,000 DSU's and 3,175,000 RSU's to directors and employees.