Condensed consolidated interim financial statements of

Maple Gold Mines Ltd.

(An Exploration Stage Company)
(unaudited)

June 30, 2021

Notice of no auditor review of condensed consolidated interim financial statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Maple Gold Mines Ltd.

Condensed consolidated interim statement of financial position

As at June 30, 2021
(Unaudited)
(Expressed in Canadian dollars)

	Notes	**June 30, 2021 $**	December 31, 2020 $
Assets			
Current assets			
Cash and cash equivalents	3	**17,811,859**	20,014,801
Sales taxes receivable		**—**	243,642
Prepaid expenses and deposits		**431,236**	725,344
		18,243,095	20,983,787
Property and equipment	4	**373,486**	563,679
		18,616,581	21,547,466
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**409,537**	1,410,300
Sales taxes payable		**50,593**	—
Share-based payment obligation	10(c)	**223,890**	—
Payable to Revenu Quebec	7	**446,689**	446,689
Lease liabilities – current portion	8(b)	**195,220**	309,911
		1,325,929	2,166,900
Non-current liabilities			
Lease liabilities	8(b)	**103,069**	194,985
Loan payable	9	**40,000**	40,000
Provision for site reclamation and closure		**50,384**	50,384
		1,519,382	2,452,269
Equity			
Share capital	10	**67,162,269**	67,085,588
Reserves	10	**14,211,175**	13,724,236
Deficit		**(64,276,245)**	(61,714,627)
		17,097,199	19,095,197
		18,616,581	21,547,466

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statemer

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.

Condensed consolidated interim statement of loss and comprehensive loss

Three and six months ended June 30, 2021 and 2020

(Unaudited)

(Expressed in Canadian dollars)

		Three months ended June 30,		Six months ended June 30,	
		2021	2020	**2021**	2020
	Notes	**$**	$	**$**	$
Operating expenses (income)					
Exploration and evaluation expenses	5	**201,324**	526,383	**371,579**	1,443,518
General and administrative	11	**1,133,307**	543,596	**2,515,025**	926,955
Finance income		**(253,184)**	(56,131)	**(386,116)**	(77,964)
Finance expense		**18,109**	20,926	**61,130**	50,619
Amortization of flow-through share premium	6	**—**	(87,484)	**—**	(273,062)
Loss and comprehensive loss for the period		**1,099,556**	947,290	**2,561,618**	2,070,066
Basic and diluted loss per share		**0.00**	0.00	**0.01**	0.01
Weighted average number of common shares outstanding (basic and diluted)		**321,258,223**	239,186,954	**321,163,561**	239,186,954

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

(Expressed in Canadian dollars, except share amounts)

Equity attributable to shareholders

		Share capital		Reserves				
		Number	Amount	Share-based payments reserve	Warrants reserve	Total reserves	Deficit	Total
	Notes		$	$	$	$	$	$
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
Shares issued on vesting of RSUs	10(b)(i)	284,002	76,681	(76,681)	—	(76,681)	—	—
Share-based payments	10(c)	—	—	563,620	—	563,620	—	563,620
Comprehensive loss		—	—	—	—	—	(2,561,618)	(2,561,618)
Balance, June 30, 2021		**321,351,850**	**67,162,269**	**4,309,187**	**9,901,987**	**14,211,175**	**(64,276,245)**	**17,097,199**
Balance, January 1, 2020		239,186,954	49,167,035	3,279,224	8,119,259	11,398,483	(57,245,735)	3,319,783
Share-based payments	10(c)	—	—	285,963	—	285,963	—	285,963
Comprehensive loss		—	—	—	—	—	(2,070,066)	(2,070,066)
Balance, June 30, 2020		239,186,954	49,167,035	3,565,187	8,119,259	11,684,446	(59,315,801)	1,535,680

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Maple Gold Mines Ltd.

Condensed consolidated interim statement of cash flows

Three and six months ended June 30, 2021 and 2020

(Unaudited)

(Expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Operating activities				
Loss for the period	**(1,099,556)**	(947,290)	**(2,561,618)**	(2,070,066)
Adjustments for				
Amortization of flow-through share premium	**—**	(87,484)	**—**	(273,062)
Depreciation	**72,434**	87,298	**173,676**	179,962
Share-based payments	**212,852**	246,291	**563,620**	285,963
Finance income	**—**	(5,619)	**—**	(13,161)
Finance expense	**17,558**	24,150	**41,789**	51,313
(Gain) loss on disposal of property and equipment	**(11,379)**	—	**6,810**	—
Changes in non-cash working capital items				
Sales taxes receivable	**194,224**	(21,258)	**243,642**	(10,270)
Mineral exploration tax credit receivable	**—**	43,153	**—**	399,966
Prepaid expenses and deposits	**72,267**	115,837	**294,108**	183,834
Accounts payable and accrued liabilities	**2,537**	(312,082)	**(1,000,763)**	(48,580)
Sales taxes payable	**50,593**	—	**50,593**	—
Deferred gain	**(157,574)**	—	**—**	—
Share-based payment obligation	**63,685**	—	**223,890**	—
Payable to Revenu Quebec	**—**	—	**—**	1,677
	(582,359)	(857,004)	**(1,964,253)**	(1,312,424)
Investing activities				
Acquisition of property and equipment	**(49,084)**	—	**(72,451)**	—
Proceeds on disposal of property and equipment	**45,000**	—	**45,000**	—
	(4,084)	—	**(27,451)**	—
Financing activities				
Repayment of lease liabilities	**(125,554)**	(144,990)	**(211,238)**	(283,155)
Receipt of sublease receivables	**—**	45,394	**—**	90,789
Loan proceeds	**—**	40,000	**—**	40,000
	(125,554)	(59,596)	**(211,238)**	(152,366)
Net change in cash and cash equivalents	**(711,997)**	(916,600)	**(2,202,942)**	(1,464,790)
Cash and cash equivalents, beginning of period	**18,523,856**	3,554,361	**20,014,801**	4,102,551
Cash and cash equivalents, end of period	**17,811,859**	2,637,761	**17,811,859**	2,637,761

The accompanying notes are an integral part of the unaudited condensed consolidated interim 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.

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 condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information and footnotes required by International Financial Reporting Standards ("IFRS") for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

The accounting policies used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the Company's most recent annual financial statements for the year ended December 31, 2020 and reflect all the adjustments necessary for fair presentation in accordance with IFRS for the interim periods presented.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 12, 2021.

(b) Basis of preparation and consolidation

These condensed consolidated interim 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.

These condensed consolidated interim financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control exists when the Company has power over an investee, exposure or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

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

(Expressed in Canadian dollars, unless otherwise stated)

2. Basis of presentation (continued)

(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. The Company's critical accounting judgements and estimates were presented in Note 2(c) of the audited annual financial statements for the year ended December 31, 2020 and have been consistently applied in the preparation of these condensed consolidated interim financial statements. No new judgements and estimates were applied for the periods ended June 30, 2021 and 2020.

(d) 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. Cash and cash equivalents

	June 30, 2021 $	December 31, 2020 $
Components of cash and cash equivalents		
Cash	**15,991,377**	18,195,440
Cash equivalents	**1,820,482**	1,819,361
	17,811,859	20,014,801

As at June 30, 2021, cash and cash equivalents includes $403,361 (December 31, 2020 - $Nil) of cash contributed by the Company to the Douay Gold-Joutel Joint Venture (Note 5) that has not yet been spent.

(Expressed in Canadian dollars, unless otherwise stated)

4. Property and equipment

	Right of use assets	Camp equipment	Computer equipment	Office furniture	Leasehold improvements	Total
	$	$	$	$	$	$
Cost						
Balance, January 1, 2020	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**
Additions	—	67,242	9,284	3,070	15,097	94,693
Disposals	(259,875)	(76,559)	—	—	—	(336,434)
Balance, June 30, 2021	**727,177**	**76,558**	**137,683**	**26,954**	**115,137**	**1,083,509**
Accumulated depreciation						
Balance, January 1, 2020	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
Depreciation	158,328	5,975	3,343	2,256	3,774	173,676
Disposals	(200,475)	(24,749)	—	—	—	(225,224)
Balance, June 30, 2021	**431,562**	**30,724**	**127,781**	**16,142**	**103,814**	**710,023**
Net book value						
December 31, 2020	513,343	36,377	3,961	9,998	—	563,679
June 30, 2021	**295,615**	**45,834**	**9,902**	**10,812**	**11,323**	**373,486**

5. Exploration and evaluation expenses

The exploration and evaluation expenses, which have been incurred in the respective periods, are as follows:

	Three months ended June 30,			
	2021 Douay	**2021 Joutel**	**2021 Total**	2020
	$	$	**$**	$
Camp set up, camp costs and field supplies	**—**	**—**	**—**	34,635
Depreciation	**23,877**	**—**	**23,877**	63,723
Digitization	**—**	**162,500**	**162,500**	—
Drilling and core assaying	**—**	**—**	**—**	195,726
Equipment rental and fuel	**—**	**—**	**—**	2,347
Environmental	**—**	**—**	**—**	788
Geology	**—**	**—**	**—**	13,125
Geophysics	**—**	**4,212**	**4,212**	—
Licences and permits	**—**	**—**	**—**	5,278
Other exploration support costs	**—**	**—**	**—**	10,031
Salaries and benefits	**—**	**—**	**—**	145,628
Share-based payments	**10,735**	**—**	**10,735**	55,102
	34,612	**166,712**	**201,324**	526,383

(Expressed in Canadian dollars, unless otherwise stated)

5. Exploration and evaluation expenses (continued)

	Six months ended June 30,			
	2021	**2021**	**2021**	2020
	Douay	**Joutel**	**Total**	
	$	$	**$**	$
Camp set up, camp costs and field supplies	**—**	**9,870**	**9,870**	149,317
Depreciation	**76,902**	**—**	**76,902**	125,617
Digitization	**—**	**162,500**	**162,500**	—
Drilling and core assaying	**—**	**—**	**—**	625,519
Equipment rental and fuel	**—**	**—**	**—**	6,165
Environmental	**—**	**—**	**—**	2,379
Geology	**—**	**—**	**—**	13,125
Geophysics	**—**	**86,769**	**86,769**	71,788
Licences and permits	**—**	**—**	**—**	26,899
Other exploration support costs	**—**	**—**	**—**	19,911
Salaries and benefits	**—**	**—**	**—**	344,067
Share-based payments	**35,538**	**—**	**35,538**	58,731
	112,440	**259,139**	**371,579**	1,443,518

During the three and six month periods ended June 30, 2020 all the exploration and evaluation expenses were incurred at the Douay Gold Project.

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.

Amounts received by the Company from Agnico are deferred to the extent that the Company has future committed funding performance obligations to the joint operation. The deferred amounts are recognized as other income as the Company fulfills its funding performance obligation by incurring exploration and evaluation expenditures at the joint operation.

In March 2021, the Company received $250,000 from Agnico with regard to Agnico's year 1 contribution to the Company, in accordance with the terms outlined above. During the three and six months ended June 30, 2021, $157,574 and $250,000 of this contribution was incurred on qualified exploration expenditures and, as at June 30, 2021, $Nil is recorded as a deferred gain on the condensed consolidated interim statement of financial position.

(Expressed in Canadian dollars, unless otherwise stated)

6. Flow-through share premium liability

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Balance, beginning of period	–	614,850	–	800,428
Amortization of flow-through share premium	–	(87,484)	–	(273,062)
Balance, end of period	–	527,366	–	527,366

(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 10(b)(iii)). 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 was 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 10(b)(i)). 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 was fully amortized as of December 31, 2020.

7. 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.

8. Leases

(a) Sublease receivables

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Balance, beginning of period	–	125,498	–	163,351
Lease payments received	–	(45,394)	–	(90,789)
Interest income on sublease receivables	–	5,619	–	13,161
	–	85,723	–	85,723
Less: current portion	–	(85,723)	–	(85,723)
Balance, end of period	–	–	–	–

(Expressed in Canadian dollars, unless otherwise stated)

8. Leases (continued)

(b) Lease liabilities

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Balance, beginning of period	**443,443**	473,556	**504,896**	584,559
Lease payments made	**(125,554)**	(144,990)	**(211,238)**	(283,155)
Lease termination	**(37,158)**	—	**(37,158)**	—
Interest expense on lease liabilities	**17,558**	20,818	**41,789**	47,980
	298,289	349,384	**298,289**	349,384
Less: current portion	**(195,220)**	(301,790)	**(195,220)**	(301,790)
Balance, end of period	**103,069**	47,594	**103,069**	47,594

9. Loan payable

During the three month period ended June 30, 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 of 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.

10. Share capital and reserves

(a) Authorized

Unlimited common shares without par value

(b) Share issuances

Year ended December 31, 2021

(i) On April 30, 2021 the Company issued 284,002 common shares on the vesting of 284,002 restricted share units.

Year ended December 31, 2020

(ii) 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.

(iii) 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

10. Share capital and reserves (continued)

(b) Share issuances (continued)

Year ended December 31, 2020 (continued)
(iii) (continued)

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.

(iv) 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)

10. Share capital and reserves (continued)

(c) Share based compensation plans

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, restricted share units ("RSUs") and deferred share units ("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.

The following table summarizes share based compensation for the period:

	Three months ended June 30,		**Six months ended June 30,**	
	2021	2020	**2021**	2020
	$	$	**$**	$
Equity settled awards				
Stock option expense	**96,389**	39,672	**288,033**	39,672
RSU expense	**116,463**	—	**194,587**	—
DSU expense	**—**	—	**81,000**	—
Compensation expense - equity settled awards	**212,852**	39,672	**563,620**	39,672
Cash settled awards				
RSU expense	**183,345**	—	**276,050**	—
DSU expense	**38,750**	—	**106,250**	—
Compensation expense - cash settled awards	**222,095**	—	**382,300**	—
Total compensation expense - equity and cash settled awards	**434,947**	39,672	**945,920**	39,672
Compensation expense included in:				
General and administrative (Note 11)	**424,212**	36,043	**910,382**	36,043
Exploration and evaluation (Note 5)	**10,735**	3,629	**35,538**	3,629
	434,947	39,672	**945,920**	39,672

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital and reserves (continued)

(c) Share based compensation plans (continued)

(i) Stock options

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

	Number of stock options	Weighted average exercise price
		$
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**
Granted	1,100,000	0.38
Outstanding, June 30, 2021	**23,830,100**	**0.18**

As at June 30, 2021, the number of stock options outstanding and exercisable was:

Expiry date	Number of options	Exercise price	Outstanding remaining contractual life (years)	Number of options	Exercise price	Exercisable remaining contractual life (years)
	#	$		#	$	
July 11, 2021	300,000	0.24	0.03	300,000	0.24	0.03
November 28, 2021	780,000	0.25	0.41	780,000	0.25	0.41
March 2, 2022	200,000	0.40	0.67	200,000	0.40	0.67
May 3, 2022	3,300,000	0.30	0.84	3,300,000	0.30	0.84
August 28, 2022	600,000	0.30	1.16	600,000	0.30	1.16
October 10, 2022	325,000	0.30	1.28	325,000	0.30	1.28
December 20, 2022	250,000	0.24	1.47	250,000	0.24	1.47
January 25, 2023	300,000	0.30	1.57	300,000	0.30	1.57
January 23, 2024	4,908,400	0.16	2.57	4,908,400	0.16	2.57
April 28, 2025	9,941,700	0.10	3.83	3,291,699	0.10	3.83
June 1, 2025	300,000	0.10	3.92	100,000	0.10	3.92
August 25, 2025	525,000	0.24	4.16	175,000	0.24	4.16
September 11, 2025	750,000	0.20	4.20	250,000	0.20	4.20
October 12, 2025	250,000	0.23	4.29	83,333	0.23	4.29
January 4, 2026	600,000	0.39	4.52	200,000	0.39	4.52
March 3, 2026	400,000	0.33	4.68	133,333	0.33	4.68
June 21, 2026	100,000	0.51	4.98	133,333	0.51	4.98
	23,830,100	**0.18**	**2.88**	**15,330,098**	**0.21**	**2.29**

The Company uses the fair value method of accounting for all share-based payments to directors, officers, employees and others providing similar services.

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital and reserves (continued)

(c) Share based compensation plans (continued)

(i) Stock options (continued)

The fair values of the share options granted during the three and six months ended June 30, 2021 and 2020 were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	Three months ended June 30,		**Six months ended June 30,**	
	2021	2020	**2021**	2020
	Option grants	Option grants	**Option grants**	Option grants
Risk-free interest rate	**0.71%**	0.39%	**0.40%**	0.39%
Expected dividend yield	**nil**	nil	**nil**	nil
Stock price volatility	**94%**	86%	**96%**	86%
Expected life in years	**5**	500%	**5**	5
Weighted average grant date fair value	**$0.25**	$0.05	**$0.24**	$0.05

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.

(ii) Restricted Share Units

RSUs are granted under the Company's Equity Incentive Plan and are accounted for based on the market value of the underlying shares on the date of grant and vest as determined by the Board of Directors. These units are exercisable into one common share once vested, for no additional consideration. They can be redeemed in cash, at the Company's discretion.

On March 3, 2021, the Company granted 3,175,000 RSUs to its directors, officers and employees and subject to vesting provisions of one-third on April 30, 2021, one-third on March 3, 2022 and one-third on March 3, 2023.

1,452,000 RSUs were determined to be equity settled awards. The share-based payment related to these equity settled awards was calculated as $392,040, to be amortized over the unit vesting period.

1,723,000 RSUs were determined to be cash settled awards. For cash-settled awards the liability is marked to market using the quoted market price of the underlying common shares at the end of each reporting period. As of June 30, 2021, the share-based payment related to these cash settled awards was calculated as $659,144, to be amortized over the unit vesting period.

The Company did not issue RSUs prior to 2021.

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

	Number of RSUs
Outstanding, December 31, 2020	-
Granted	3,175,000
Vested	(858,333)
Forfeited	(16,667)
Outstanding, June 30, 2021	**2,300,000**

(Expressed in Canadian dollars, unless otherwise stated)

10. Share capital and reserves (continued)

(c) Share based compensation plans (continued)

(ii) Deferred Share Units

DSUs are granted under the Company's Equity Incentive Plan and are accounted for based on the market value of the underlying shares on the date of grant and vest immediately. These units are exercisable into one common share for no additional consideration. In the event a participant resigns or is otherwise no longer an eligible participant during the period, then any grant of DSUs that are intended to cover such period, the participant will only be entitled to a pro-rated DSU payment. These units can be redeemed in cash, at the Company's discretion. The Company did not issue DSUs prior to 2021.

On March 3, 2021, the Company granted 550,000 DSUs to its directors and these units vested in full at the grant date.

300,000 DSUs were determined to be equity settled awards. The share-based payment related to these equity settled awards was calculated as $81,000, which was expensed on March 3, 2021.

250,000 DSUs were determined to be cash settled awards. For cash-settled awards the liability is marked to market using the quoted market price of the underlying common shares at the end of each reporting period. The share-based payment related to these cash settled awards was calculated as $38,750 for the three-month period ended June 30, 2021 and $106,250 for the six-month period ended June 30, 2021.

As at June 30, 2021 550,000 DSUs remain outstanding.

(d) Share purchase warrants

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

	Warrants outstanding	Exercise price $
Outstanding, December 31, 2019	31,034,150	0.40
Exercised	(1,000)	0.40
Issued	25,838,821	0.34
Outstanding, December 31, 2020 and June 30, 2021	**56,871,971**	**0.37**

As at June 30, 2021, 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)

11. General and administrative

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Business development	**133,656**	20,000	**229,515**	30,384
Depreciation	**48,557**	23,575	**96,774**	54,345
Directors' fees	**22,000**	11,000	**41,000**	22,000
Office and general	**51,607**	27,418	**140,601**	53,987
Professional fees	**98,624**	86,205	**310,142**	138,699
Regulatory transfer agent and shareholder information	**36,278**	21,251	**69,498**	37,351
Salaries and benefits	**186,145**	95,669	**375,921**	191,754
Share-based payments	**424,212**	191,189	**910,382**	227,232
Travel, marketing and investor relations	**132,228**	67,289	**341,192**	171,203
	1,133,307	543,596	**2,515,025**	926,955

12. Related party balances and transactions

Compensation of key management personnel

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Salaries and benefits	**140,500**	91,500	**278,000**	163,000
Share-based payments	**262,387**	146,159	**598,550**	172,086
	402,887	237,659	**876,550**	335,086

13. 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.

14. 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;

14. Financial instruments (continued)

- 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 June 30, 2021 and 2020, no financial instruments were measured at fair value.

No transfer occurred between the levels during the period.

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.

(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 March 31, 2021 and 2020 and throughout the respective periods, 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.

15. Subsequent events

On July 19, 2021, the Company announced that it has entered into an option agreement with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in the Eagle Mine Property ("Eagle") in Quebec. The Company can earn a 100% interest in Eagle by completing payments to Globex totaling $1.2 million in cash and shares over five years and incurring exploration expenditures on Eagle of $1.2 million over a four year period. Globex will retain a 2.5% Gross Metal Royalty ("GMR") which is subject to a right of first refusal and can be reduced to a 1.5% GMR in consideration for a cash payment of $1.5 million. The Company has made a cash payment of $50,000 and issued 128,400 common shares with a deemed value of $50,000 in respect to the option agreement.