NICOLA MINING INC.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Nicola Mining Inc.

Opinion

We have audited the accompanying consolidated financial statements of Nicola Mining Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive income (loss), cash flows, changes in shareholder's equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated 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 audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company had an accumulated deficit of $89,860,365 and working capital of $151,533. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 30, 2021

NICOLA MINING INC.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note		December 31, 2020		December 31, 2019
Assets					
Current assets					
Cash and cash equivalents		$	824,705	$	500,797
Amounts receivable	4		100,881		241,014
Prepaid expenses and other assets			52,665		25,955
			978,251		**767,766**
Non-current assets					
Property, plant, and equipment	5		9,090,448		9,058,532
Right-of-use-assets	8		69,845		28,424
Mineral interests	6		3		3
Restricted cash	9		1,211,013		1,210,100
Total assets		**$**	**11,349,560**	**$**	**11,064,825**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	671,821	$	644,071
Current portion of lease liabilities	8		15,927		22,500
Current portion of equipment loan	10		43,739		-
Secured convertible debenture	11		-		256,426
Flow-through share premium	13		95,231		-
			826,718		**922,997**
Non-current liabilities					
Asset retirement obligation	7		3,831,834		3,674,785
Lease liabilities	8		55,141		7,712
Equipment loan	10		67,755		-
Secured convertible debenture received in advance	11		-		160,000
Secured convertible debenture	11		6,369,276		5,354,118
Total liabilities			**11,150,724**		**10,119,612**
Equity					
Shareholders' equity					
Share capital	13		78,605,424		76,640,941
Warrants	13		1,694,494		1,692,331
Equity component of convertible debentures			2,167,952		2,063,082
Contributed surplus			7,591,331		7,518,860
Accumulated deficit			(89,860,365)		(86,970,001)
Total shareholders' equity			**198,836**		**945,213**
Total liabilities and shareholders' equity		**$**	**11,349,560**	**$**	**11,064,825**

Peter Espig (signed) Director ***Frank Hogel (signed)*** Director

Nature of operations and going concern (Note 1)
Subsequent events (Note 19)

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

NICOLA MINING INC.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian dollars)

	Note	Year Ended December 31 2020	2019
Operating Expenses			
Exploration costs	6	$ 348,703	$ 1,541,187
Environmental penalty	19	136,000	-
Mill costs	5	1,034,186	580,561
Accretion of asset retirement obligation	7	157,049	74,328
Salaries and benefits	15	139,807	136,213
Share-based compensation expense	14,15	72,471	-
Professional fees		209,529	180,298
Consulting fees	15	288,885	209,846
Office and general		71,254	56,488
Travel and investor relations		23,784	53,984
Regulatory and transfer agent fees		39,777	40,334
Rent		27,673	15,415
Vehicle expenses		5,639	1,068
Depreciation		1,652	1,416
Operating Loss		(2,556,409)	(2,891,138)
Gain on disposal of property, plant, and equipment		-	6,628
Gravel, ash, soil, and other income	7	894,335	588,059
Flow-through obligation recovery	17	-	4,106,780
Finance costs	12	(1,299,031)	(1,418,802)
Part XII.6 tax, recovery, tax penalties	17	(8,439)	313,696
Flow-through premium	13	-	347,311
Write-off of accounts payables		39,055	-
Income (Loss) before income taxes		(2,930,489)	1,052,534
Deferred income tax recovery	11,18	40,125	468,184
Net Income (loss) and Comprehensive Income (Loss) for the year		$ (2,890,364)	$ 1,520,718
Income (Loss) Per Share – basic and diluted		$ (0.01)	$ 0.01
Weighted Average Number of Common Shares Outstanding – basic and diluted		249,606,552	233,471,269

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

Nicola Mining Inc.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Year Ended December 31	
	2020	**2019**
Operating Activities		
Net Income (loss) for the year	$ (2,890,364)	$ 1,520,718
Adjustments for:		
Accretion of asset retirement obligation	157,049	74,328
Share-based compensation	72,471	18,513
Depreciation	135,021	121,045
Non-cash interest and finance expense	1,303,653	1,418,979
Gain on disposal of property, plant, and equipment	-	(6,628)
Flow-through premium	-	(347,311)
Flow-through obligation recovery	-	(4,106,780)
Deferred income tax recovery	(40,125)	(468,184)
Recovery on write-off of accounts payables	(39,055)	-
Changes in non-cash working capital items		
Amounts receivable	140,133	(18,111)
Prepaid expenses and other assets	(26,710)	36,651
Accounts payable and accrued liabilities	66,805	94,446
Cash and Cash Equivalents Used in Operating Activities	(1,121,122)	(1,662,334)
Investing Activities		
Purchase of property, plant, and equipment	(11,500)	(1,284)
Reclamation expenditures incurred	-	(223,044)
Cash and Cash Equivalents Used in Investing Activities	(11,500)	(224,328)
Financing Activities		
Issuance of common shares, net of cash paid share issuance costs	1,328,855	850,988
Exercise of stock options and share purchase warrants	-	9,000
Interest payment	(12,500)	(12,500)
Repayment of lease liabilities	(20,352)	(17,328)
Repayment of equipment loan	(29,473)	-
Convertible notes received in advance	-	160,000
Convertible notes issued	190,000	45,000
Convertible note issuance costs	-	(10,476)
Cash and Cash Equivalents Provided by Financing Activities	1,456,530	1,024,684
Net change in cash and cash equivalents for the year	323,908	(861,978)
Cash and cash equivalents, beginning of year	500,797	1,362,775
Cash and cash equivalents, end of year	$ 824,705	$ 500,797

Non-cash transactions:		
Flow-through premium (Note 13)	$ 95,231	$ 267,310
Flow-through obligation recovery (Note 17)	-	4,106,780
Deferred income tax recovery	40,125	-
Recognition of lease liabilities (Note 8)	75,295	47,540
Lease termination	(14,087)	-
Equipment loan	135,650	-
Shares issued to settle convertible debentures and interest	733,022	708,088
Recognition of equity component of convertible debentures	108,486	1,286,983

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

NICOLA MINING INC.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Warrants	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Deficit	Total Equity (Deficiency)
Balance, January 1, 2019	230,477,549	$ 75,102,831	$ 1,692,331	$ 808,230	$ 7,505,581	$ (88,490,719)	$ (3,381,746)
Share issuance financings	8,770,000	877,000	-	-	-	-	877,000
Stock options exercised	150,000	14,234	-	-	(5,234)	-	9,000
Share issue costs	-	(26,012)	-	-	-	-	(26,012)
Issuance of shares for interest on convertible debentures	7,446,981	708,088	-	-	-	-	708,088
Issuance of convertible debenture	-	-	-	1,254,852	-	-	1,254,852
Flow-through share premium	-	(35,200)	-	-	-	-	(35,200)
Share based compensation	-	-	-	-	18,513	-	18,513
Net Income for the year	-	-	-	-	-	1,520,718	1,520,718
Balance, December 31, 2019	246,844,530	$ 76,640,941	$ 1,692,331	$ 2,063,082	$ 7,518,860	$ (86,970,001)	$ 945,213
Balance, January 1, 2020	246,844,530	$ 76,640,941	$ 1,692,331	$ 2,063,082	$ 7,518,860	$ (86,970,001)	$ 945,213
Share issuances, financings	10,530,765	1,368,999	-	-	-	-	1,368,999
Share issue costs	-	(42,307)	2,163	-	-	-	(40,144)
Convertible debenture conversion	200,000	20,434	-	(3,616)	-	-	16,818
Issuance of shares for interest on convertible debentures	5,739,593	712,588	-	-	-	-	712,588
Issuance of convertible debenture	-	-	-	108,486	-	-	108,486
Flow-through share premium	-	(95,231)	-	-	-	-	(95,231)
Share-based compensation	-	-	-	-	72,471	-	72,471
Net loss for the year	-	-	-	-	-	(2,890,364)	(2,890,364)
Balance, December 31, 2020	263,314,888	$ 78,605,424	$ 1,694,494	$ 2,167,952	$ 7,591,331	$ (89,860,365)	$ 198,836

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nicola Mining Inc. (the "**Company,**" or "**Nicola**"), is a junior exploration company that is engaged in the business of identification, acquisition, and exploration of mineral property interests together with custom milling operations at its mill located in Merritt, B.C. (the "**Merritt Mill**"). The Company's head office is located at 3329 Aberdeen Road, Lower Nicola, B.C. Nicola is a publicly listed company incorporated under the *Business Corporations Act* (British Columbia). The Company's common shares are listed on the TSX Venture Exchange (the "**TSX-V**") under the symbol "NIM.V."

As at December 31, 2020, the Company had an accumulated deficit of $89,860,365 (2019 - $86,970,001) and a working capital of $151,533 (2019 – deficiency of $155,231). In order to continue operations, the Company will be required to raise funds through the issuance of equity, or debt, or be successful recommencing operations at the Treasure Mountain project ("**Treasure Mountain Property**") and/or Merritt Mill, together with ongoing exploration programs at its New Craigmont property ("**New Craigmont Property**"). These factors represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and the Company's consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position, and operating results in the future. In addition, it is possible that estimates in the Company's consolidated financial statements will change in the near term as are a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things impairment of long-lived assets including property, plant, and equipment. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

These consolidated financial statements have been prepared using the going concern concept, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

2. BASIS OF PRESENTATION

a) Statement of Compliance with International Financial Reporting Standards

The consolidated financial statements of Nicola have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These consolidated financial statements have been authorized for release by the Company's Board of Directors on April 30, 2021.

b) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Huldra Properties Inc. All inter-company balances, and transactions are eliminated on consolidation.

c) Basis of Measurement

These consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiary's functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

d) Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments and estimates which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The judgments that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are as follows:

i) Impairment of non-current assets

Non-current assets are tested for impairment when indicators of impairment are present. Calculating the estimated fair values of cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to metal selling prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reduction in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's non-current assets.

ii) Completion of commissioning

The determination of the date on which a mine or plant enters the production stage is a significant judgement since capitalization of certain costs ceases and depletion and amortization of capitalized costs commence upon entering production. As a mine or plant is constructed and commissioned, costs incurred are capitalized and proceeds from mineral sales are offset against the capitalized costs. This continues until the mine or plant are capable of operating in the manner intended by management, which requires significant judgement in its determination.

2. BASIS OF PRESENTATION (cont'd)

e) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

Convertible debentures

The Company's convertible debentures represent management's best estimates and judgement in accounting for separate components of financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual is accounted for as an equity instrument at issuance.

Rehabilitation provisions

The Company's rehabilitation provision represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest-bearing investments which are subject to an insignificant risk of change in value. Cash and cash equivalents consists' of cash of $824,705 as at December 31, 2020 (2019 - $500,797).

b) Restricted Cash

Cash is considered to be restricted as it is subject to rights of a government agency.

c) Property, Plant and Equipment

On initial recognition, property, plant, and equipment ("**PPE**") are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items.

PPE is subsequently stated at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

statement of operations and comprehensive loss during the financial period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of PPE to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized within operating expenses in the statement of operations and comprehensive loss.

PPE are depreciated using the following methods:

Furniture and office equipment	20% declining balance
Computers	20% declining balance
Camp and other site infrastructure	5 years straight-line
Heavy machinery and equipment	5 years straight-line
Mill	20 years straight - line

d) Right-of-use Assets and Lease Liabilities

The Company has applied IFRS 16, *Leases* since January 1, 2019. The Company assesses whether a contract is or contains a lease inception of a contract. The Company recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term unless another systematic basis is more representative of the usage of the economic benefits from the leased asset.

The lease liability is initially measured at a present value of the future lease payments 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 borrow rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, payments made on or before the lease commencement and any direct costs. They are subsequently measured at cost less depreciation and any impairment losses. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

During the year ended December 31, 2020, the Company incurred $41,276 (2019 - $40,918) for short-term leases not included in lease liabilities.

e) Commercial and Pre-commercial Production

Commercial production is deemed to have commenced when management determines that the operational commissioning of major mine plant components is complete, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will continue. The following factors may indicate that commercial production has commenced:

- substantially all major capital expenditures have been completed to bring the plant or mine to the condition necessary for it to be capable of operating in the manner intended by management,
- a significant portion of plant throughput capacity is achieved, and
- all facilities are operating at a steady state of production.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Impairment of Non-financial Assets

At the date of each statement of financial position, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of operations and comprehensive loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of operations and comprehensive loss.

g) Mineral Interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition and site restoration are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less amounts written off, and do not necessarily represent present or future values. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. The ultimate recoverability of amounts capitalized for mineral interests is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete development and realize profitable production or proceeds from the disposition thereof. At such time commercial production commences, these costs will be charged to profit or loss on a unit-of-production method based on proven and probable reserves.

h) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures ("**E&E**") excluding mineral interest acquisition and site restoration costs are charged to the statement of operations and comprehensive income (loss) as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Any recoveries received that relate to exploration costs are recorded as a recovery of such costs.

i) Revenue Recognition

Revenue from the sale of gold and silver concentrate is recognized at the fair value of the consideration received and when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Gold and silver revenue are recorded at the time of physical delivery and transfer of title. Sales prices are fixed at the delivery date based on the terms of the contract or at spot prices.

Revenue from the sale of gravel, ash, soil, and other income is recognized at the fair value of the consideration received and when all significant risks and rewards of ownership pass to the purchaser including delivery of product, there is a fixed or determinable selling price and collectability is reasonably assured.

j) Financial Instruments

The following is the accounting policy for financial assets and liabilities under IFRS 9:

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("**FVTPL**"), at fair value through other comprehensive income (**FVTOCI**"), or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statement of operations and comprehensive income (loss) in the period.

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized 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 other comprehensive (loss) income in they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The following table shows the classification of the Company's financial assets under IFRS 9:

Financial asset	Classification
Cash and cash equivalents	Fair value through profit or loss
Amounts receivable and other assets	Amortized cost

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive income (loss).

Other financial liabilities - This category includes accounts payable and accrued liabilities, secured convertible debentures, equipment loan, and lease liabilities all of which are recognized at amortized cost using the effective interest method.

Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive income (loss) immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

k) Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

The Company may issue units including common shares and warrants. To value these units, the Company uses the residual value method. Under this method the Company values the common share, the easier component to value, and assigns the residual value to the warrant.

l) Share-based Payments

The Company has a stock option plan (the "**Stock Option Plan**") that is described in Note 14(a). The Stock Option Plan allows directors, officers, employees, and consultants of the Company to acquire shares of the Company. The fair value of stock options granted is recognized as an employee or consultant expense with a corresponding increase in shareholders' equity. An individual is classified as an 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Options issued to Employees and others providing similar services

The fair value of employee stock options are measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the stock options vest. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the stock option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the stock option.

Options issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services cannot be estimated reliably, the stock options are measured by determining the fair value of the stock options granted, using a Black-Scholes option pricing model.

m) Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of operations and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity, in which case the income tax is also directly recognized as equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided for using 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 tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent it becomes probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the income taxes levied by the same tax authority and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and tax liabilities will be realized simultaneously.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

n) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; 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. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as finance costs in the statement of operations and comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o) Asset Retirement Obligation

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and the tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation for mine closure activities are estimated by the Company using mine closure plans, or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws, and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The present value of decommissioning and site restoration costs are recorded as a non-current liability. The provision is discounted using a real, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations and comprehensive income (loss) to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date the cost is charged to the statement of operations and comprehensive income (loss).

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against the statement of operations and comprehensive income (loss) as extraction progresses.

p) Secured convertible debentures

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual is accounted for as an equity instrument at issuance.

q) Flow-Through Shares

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the entity. The issue of flow-through shares is in substance an issue of ordinary shares and the sale

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

of tax deductions. At the time of the Company issuing flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference, if any, between the current market price of the Company's common shares and the issue price of the flow-through shares. Upon incurring eligible resource exploration and evaluation expenditures, the Company recognizes the sale of tax deductions as a flow-through share premium on the statement of operations and comprehensive income (loss) and reduces the liability.

r) Income and Loss per Share

Income (loss) per share is based on the weighted average number of common shares outstanding for the year.

Diluted income (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding for the effect of conversion of all potentially dilutive share equivalents, such as stock options and warrants, and assumes that the receipt of proceeds upon exercise of the options are used to repurchase common shares at the average market price during the period. The net effect of the shares issued less the shares assumed to be repurchased is added to the basic weighted average shares outstanding. For convertible instruments, the common shares to be included in the diluted per share calculation assumes that the instrument is converted at the beginning of the period (or issue date if later). The profit or loss attributable to common shareholders is adjusted to eliminate related interest costs recognized in profit or loss for the period.

In a period when the Company reports a loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive per share are the same.

s) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations

t) Operating Segments

The Company operates in one segment being the exploration and development of its mineral exploration properties. The Company's assets are all located in Canada.

4. AMOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
Gravel, ash, soil, and other receivables	$ 98,379	$ 217,872
GST receivable (net)	2,502	23,142
	$ 100,881	**$ 241,014**

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Land $	Mill $	Camp and Site Infrastructure $	Heavy Machinery and Equipment $	Computers and Office Equipment $	TOTAL $
Cost						
Balance at January 1, 2019	7,756,507	1,605,299	52,585	286,535	30,220	9,731,146
Additions	-	-	-	1,284	-	1,284
Disposals	-	-	-	(5,350)	-	(5,350)
Balance at December 31, 2019	7,756,507	1,605,299	52,585	282,469	30,220	9,727,080
Additions	-	-	-	145,150	2,000	147,150
Balance at December 31, 2020	7,756,507	1,605,299	52,585	427,619	32,220	9,874,230
Accumulated Depreciation						
Balance at January 1, 2019	-	279,022	14,288	254,983	21,804	570,097
Depreciation for the year	-	80,265	10,400	9,312	1,952	101,929
Disposals	-	-	-	(3,478)	-	(3,478)
Balance at December 31, 2019	-	359,287	24,688	260,817	23,756	668,548
Depreciation for the year	-	80,264	10,142	23,085	1,743	115,234
Balance at December 31, 2020	-	439,551	34,830	283,902	25,499	783,782
Carrying Amounts						
At January 1, 2019	7,756,507	1,326,277	38,297	31,552	8,416	9,161,049
At December 31, 2019	7,756,507	1,246,012	27,897	21,652	6,464	9,058,532
At December 31, 2020	**7,756,507**	**1,165,748**	**17,755**	**143,717**	**6,721**	**9,090,448**

During the year ended December 31, 2020, the Company paid $9,500 and entered into an equipment loan (Note 10) to acquire $145,150 of equipment.

(Expressed in Canadian dollars)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Mill costs (including care and maintenance costs) incurred is as follows:

	Years Ended December 31,	
	2020 $	**2019** $
MILL COSTS		
Costs incurred during the year		
Amortization and depreciation	113,584	100,515
Power and fuel	49,225	32,105
Mill supplies and rentals	35,141	20,738
Mill repairs	99,304	25,036
Mill insurance	177,662	160,220
Property taxes	32,947	40,280
Reclamation of mill site	185,371	-
Salaries and wages	271,223	195,806
Water sampling and reports	36,835	-
Permitting and regulatory fees	32,894	5,861
Total costs incurred during the year	**1,034,186**	**580,561**

(Expressed in Canadian dollars)

6. MINERAL INTERESTS

The Company holds a 100% interest in 30 mineral claims and 1 mineral lease at the Treasure Mountain Property, located near Hope, B.C. The properties are subject to a 2% net smelter royalty.

The Company holds a 100% interest in the New Craigmont Property comprising 21 mineral claims and 10 mineral leases located near Merritt, B.C. The properties are subject to a 2% net smelter royalty.

The Company took an impairment write-down in relation to its Treasure Mountain Property in 2014. The property remains in good standing, and further carrying charges and evaluation costs are being charged to the consolidated statement of operations and comprehensive income (loss) as an operating expense.

The Company's group of claims consists of the following:

	December 31, 2020 $	December 31, 2019 $
a) The Treasure Mountain group of claims located in the Similkameen Mining Division of British Columbia	1	1
b) A Crown Grant mineral claim (Lot 1210) in the Yale Mining Division contiguous to the Treasure Mountain Claims known as the "Eureka"	1	1
c) The surface rights to Lot 1209 located in the Yale Mining Division of British Columbia known as the "Whynot Fraction"	1	1
	3	**3**

(Expressed in Canadian dollars)

6. MINERAL INTERESTS (cont'd)

Exploration costs incurred is as follows:

	Years Ended December 31,	
	2020 $	**2019** $
EXPLORATION COSTS		
Costs incurred during the year		
New Craigmont Property		
Assay	35,592	109,029
Drilling and related costs	651	615,527
Field supplies and rentals	40,728	176,387
First Nations liaison consulting	1,960	-
Geological consulting and technical fees	87,728	450,542
Mapping	8,750	58,465
Tenure lease	1,637	8,481
Share-based compensation (Note 14)	-	18,513
Soil sampling	-	63,068
BC Mining exploration tax credit	(13,853)	(16,019)
	163,193	1,483,993
Treasure Mountain Property		
Property taxes	7,409	8,976
Water sampling	72,424	20,612
Permitting	3,308	200
Soil sampling	95,669	20,706
Tenure lease	6,700	6,700
	185,510	57,194
Total costs incurred during the year	**348,703**	**1,541,187**

(Expressed in Canadian dollars)

7. ASSET RETIREMENT OBLIGATION

	December 31, 2020 $	December 31, 2019 $
Opening balance	3,674,785	3,832,001
Reclamation expenditures incurred	-	(231,544)
Accretion expense	157,049	74,328
Closing balance	**3,831,834**	**3,674,785**

Merritt Mill

The Merritt Mill reclamation costs were adjusted using a long-term inflation rate of 1.4% (2019 – 1.4%) and then discounted using a risk-free rate of 2.34% (2019 – 2.34%).

The Company estimates the reclamation costs associated with the Merritt Mill to be $3,326,734 (2019 - $3,545,623). The Company anticipates it will settle these obligations over 25 years (2019 – 15 years).

In order to obtain its milling permits the Company posted security bonds and deposits of $700,000.

Treasure Mountain

The Company discounted the estimated costs relating to the reclamation of the Treasure Mountain Property using a real discount rate of 0% since the short-term inflation and risk-free rates are similar.

The Company's estimated reclamation costs associated with the Treasure Mountain Property is $505,100 (2019 - $505,100). In order to obtain the final permits, the Company posted security bonds and deposits of $505,100 with the government of British Columbia. The Company anticipates it will settle these obligations over the next 3 to 5 years.

Ash Disposal Contract

On March 15, 2020, the Company amended the August 15, 2017 thirty-year ash management contract with Merritt Operations Services Limited Partnership. The Company accepts ash which are blended with fill soils and plant seeds to assist with the remediation of the Merritt Mill site. The proceeds from the receipt of ash are recorded in Gravel, ash, soil and other income in the Consolidated Statements of Operations and Comprehensive Income (Loss).

(Expressed in Canadian dollars)

8. RIGHT OF USE ASSETS AND LEASE LIABILITIES

	December 31, 2020	December 31, 2019
Right-of-Use Assets		
Opening balance	$ 28,424	$ -
Adjustment on initial adoption of IFRS 16	-	47,540
Additions	75,295	-
Disposals	(14,087)	-
Depreciation	(19,787)	(19,116)
	69,845	28,424
Lease Liabilities		
Opening balance	$ 30,212	$ 47,540
Additions	75,295	-
Disposals	(14,087)	-
Payments	(25,375)	(22,500)
Accrued interest (Note 12)	5,023	5,172
	71,068	30,212
Current portion	$ **15,927**	$ **22,500**
Non-current portion	**55,141**	**7,712**

The lease liabilities were discounted at a discount rate of 13% (2019 – 13%).

As at December 31, 2020, the remaining payments for operating leases are due as follows: $24,240 in 2021, 2022, and 2023, plus $17,243 in 2024.

9. RESTRICTED CASH

The Company has in place deposits amounting to $1,211,013 as at December 31, 2020 (2019 - $1,210,100) registered in the name of the British Columbia Ministry of Finance as security for its mining permits and for reclamation clean up at the Treasure Mountain Property, the Merritt Mill and decommissioned tailings, and the New Craigmont Property.

10. EQUIPMENT LOAN

On June 1, 2020, the Company financed the purchase of used equipment (Note 5) with a third-party leasing company. The loan will incur interest at a rate of 7.4% per annum and will be repaid over a three-year term.

	December 31, 2020	December 31, 2019
Principal amount	$ 135,650	$ -
Accrued interest	5,317	
Less payment of principal	(24,156)	-
Less payment of interest (Note 12)	(5,317)	
Subtotal	$ 111,494	$ -
Current portion	$ **43,739**	$ -
Non-current portion	$ **67,755**	$ -

11. SECURED CONVERTIBLE DEBENTURE

The outstanding principal and interest of the Debentures are secured against the assets of Nicola.

On May 20, 2019, the Company issued 125,000 common shares at a value of $0.10 per share in settlement of interest of $12,500 of Second Tranche Debentures.

In fiscal 2019 the holders of the First Tranche Debentures in aggregate principal amount of $7,000,882 were granted an aggregate 2% net smelter returns royalty with respect to the Treasure Mountain Property (the "**First Tranche Royalty"**) in exchange for retirement of the First Tranche Debentures, provided that each holder of the First Tranche Debentures shall only be entitled to their pro rata share of such royalty based on their individual investment pursuant to the First Tranche.

On November 21, 2019, the Company agreed to pay all interest owing on the First Tranche Debentures by issuance of 7,321,981 common shares at a value of $0.095 in settlement of interest of $695,588.

On November 21, 2019, the Company closed a first tranche of the Debentures totaling $7,000,882, of which $45,000 was by issuance of a new Debenture and $6,955,882 was debt extinguishment and refinanced with the previous $6,955,882 First Tranche Debenture holders. The Debentures bear interest at a rate of 10% per annum, which is payable annually, in cash or in common shares at market price at the option of the Company and mature on November 21, 2022. The principal amount of the Debentures may be converted into common shares prior to the maturity date, at the option of the holder, at a price of $0.10 per share. Repayment of the outstanding principal and interest of the Debentures will be secured against the assets of the Company.

For accounting purposes, the principal value of $7,000,882 has been allocated first to the fair value of the debt portion. The fair value of the debentures was determined to be $5,266,867 using a discount rate of 20%. Residual value of $1,734,015 has been allocated as $1,254,852 to the equity component net of $468,184 deferred income tax recovery and $10,980 relating to the equity component of transaction costs. Transaction costs of $44,331 have been allocated to the Debentures.

On January 9, 2020, the Company closed the second and final tranche of the Debentures of $350,000 of which $160,000 was received in advance of December 31, 2019, raising total proceeds of $7,350,882 from the closing of the first and second tranches.

For accounting purposes, the principal value of $350,000 has been allocated first to the fair value of the debt portion. The fair value of the debentures was determined to be $263,310 using a discount rate of 20%. Residual value of $86,690 has been allocated as $63,284 to the equity component net of $23,406 deferred income tax recovery.

On May 20, 2020, the Company issued in $250,000 secured convertible debentures on expiry of the original debentures. The Debentures bear interest at a rate of 10% per annum, which is payable annually, in cash or in common shares at market price at the option of the Company and mature May 20, 2023. The principal amount may be converted into common shares prior to maturity date, at the option of the holder, at a price of $0.10 per share. Repayment of the outstanding principal and interest of the Debentures will be secured against the assets of the Company.

For accounting purposes, the principal value of $250,000 has been allocated first to the fair value of the debt portion. The fair value of the debentures was determined to be $188,079 using a discount rate of 20%. Residual value of $61,921 has been allocated as $45,202 to the equity component net of $16,719 deferred income tax recovery.

(Expressed in Canadian dollars)

11. SECURED CONVERTIBLE DEBENTURE (cont'd)

On May 20, 2020, the Company issued 138,888 common shares at a value of $0.09 per share in settlement of interest of $12,500 of Second Tranche Debentures.

On August 4, and August 13, 2020, a January 9, 2020 Debenture holder elected to convert a total of $20,000 at a conversion price of $0.10 and issued 200,000 common shares in accordance with terms of the Debenture. For accounting purposes, the fair value of the Debenture on conversion dates of $16,818 and the residual equity component of $3,616 were transferred to share capital.

On November 24, 2020, the Company issued 5,600,705 common shares at a value of $0.125 per share in settlement of interest of $700,088 of November 21, 2019 $7,000,882 convertible debentures.

		December 31, 2020,		**December 31, 2019**
Principal amount	$	5,610,544	$	6,671,179
Conversion of Convertible Debenture (Note 13)		(16,818)		-
Less payment of interest		(12,500)		(12,500)
Less payment of interest in shares		(712,588)		(708,088)
Retirement of First Tranche Debentures		-		(6,955,664)
Retirement of Second Tranche Debentures		(250,000)		-
Issuance of Debentures		451,389		5,266,649
Less transaction costs		-		(31,628)
Accrued interest and accretion (Note 12)		1,299,249		1,380,590
Subtotal	$	6,369,276	$	5,610,544
Current portion	$	-	$	**256,426**
Non-current portion	$	**6,369,276**	$	**5,354,118**

12. FINANCE COSTS

	2020 $	**2019** $
Equipment loan (Note 10)	5,317	-
Secured convertible debenture (Note 11)	1,299,249	1,380,596
Flow-through share obligation (Note 17)	-	38,383
Lease liability (Note 8)	5,023	5,172
Other	(10,558)	(5,349)
	1,299,031	**1,418,802**

13. SHARE CAPITAL AND RESERVES

a) Common Shares

Authorized

The authorized capital stock of the Company is an unlimited number of common shares without par value.

Issued

Common shares issued and outstanding at December 31, 2020 were 263,314,888 (2019 – 246,844,530).

On May 20, 2019, the Company issued 125,000 common shares at a value of $0.10 per share in settlement of interest of $12,500 (Note 11).

On June 6, 2019, the Company issued 150,000 common shares at a value of $9,000 in connection with the exercise of 150,000 stock options and $5,234 was transferred from contributed surplus to share capital.

On August 19, 2019, the Company closed a first tranche and on September 6, 2019 the Company closed a second tranche and issued an aggregate of 5,250,000 units at a price of $0.10 per unit for gross proceeds of $525,000. Each unit consisted of one common share and one-half of one purchase warrant. Each whole warrant is exercisable into one common share at a price of $0.15 per share for a period of two years from the date of issuance.

On November 21, 2019, the Company issued 7,321,981 common shares at a value of $0.095 in settlement of interest of $695,588 (Note 11).

On December 19, 2019, the Company issued 3,520,000 flow-through shares at $0.10 per share for gross proceeds of $352,000. The Company paid cash finder's fees of $24,290. The flow-through share premium liability associated with this issuance was $35,200. The Company renounced $35,200 and incurred $352,000 in flow-through expenditures resulting in a flow-through obligation recovery of $35,200 in fiscal 2019.

On May 20, 2020, the Company issued 138,888 common shares at a value of $0.09 per share in settlement of interest of $12,500 (Note 11).

(Expressed in Canadian dollars)

13. SHARE CAPITAL AND RESERVES (cont'd)

a) Common Shares (cont'd)

On August 4 and 13, 2020, the Company issued a total of 200,000 common shares on conversion of $20,000 of the convertible debentures issued January 9, 2020 at an exercise price of $0.10 (Note 11).

On September 2, 2020, the Company issued 5,769,230 units at a price of $0.13 per unit for gross proceeds of $750,000. Each unit consisted of one common share and one-half one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of $0.20 per share for a period of two years from the date of issuance.

On November 24, 2020, the Company issued 5,600,705 common shares at a value of $0.125 per share in settlement of interest of $700,088 (Note 11).

On December 22, 2020, the Company issued 4,761,535 flow-through units at a price at $0.13 per unit for gross proceeds of $618,999. Each unit consisted of one common share and one-half one common share purchase warrant, with each whole warrant exercisable into one additional common share at a price of $0.17 per share for a period of 2 years. The Company also paid finders fees of $40,144 and issued 66,500 share purchase warrants. The finder's share purchase warrants had a fair value of $2,163 estimated using the Black-Scholes option pricing model with a volatility of 77.63%, risk-free interest rate of 0.23%, dividend rate of 0%, and expected life of 2 years. The flow-through share premium liability associated with this issuance was $95,231.

Flow-Through Premium Liability:

The following is a continuity schedule of the liability portion of the flow-through share issuances:

Balance as of December 31, 2018	$	312,111
Flow-through premium liability		35,200
Settlement of flow-through premium Liability pursuant to qualified expenditures		(347,311)
Balance as of December 31, 2019		-
Flow-through premium liability		95,231
Balance as of December 31, 2020	$	**95,231**

(Expressed in Canadian dollars)

13. SHARE CAPITAL AND RESERVES (cont'd)

b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2019 to December 31, 2020:

	Number of Warrants	Weighted Average Exercise Price
Balance at January 1, 2019	43,150,678	$ 0.20
Issued warrants	2,625,000	0.15
Expired warrants	(27,547,980)	0.22
Balance at December 31, 2019	18,227,698	0.16
Issued warrants	5,331,882	0.19
Expired warrants	(10,936,033)	0.15
Balance at December 31, 2020	12,623,547	$ 0.18

As at December 31, 2020, the Company had outstanding warrants as follows:

Number	Exercise Price	Expiry Date
2,250,000	$0.15	August 19, 2021
375,000	$0.15	September 6, 2021
4,666,665 (1)	$0.18	July 23, 2022
2,884,615	$0.20	September 2, 2022
2,380,767	$0.17	December 22, 2022
66,500	$0.17	December 22, 2022
12,623,547		

(1) The warrants were extended from July 23, 2020 to July 23, 2022. No value was assigned to the extension as no value was assigned to the warrants on issuance as part of a unit in a private placement.

14. SHARE-BASED PAYMENTS

a) Stock Option Plan

The Company's Board of Directors approved the adoption of the Stock Option Plan in accordance with the policies of the TSX-V. The Board of Directors is authorized to grant stock options to directors, officers, consultants, and or employees. The exercise price of stock options granted under the Stock Option Plan shall be as determined by the Board of Directors when such stock options are granted, subject to any limitations imposed by any relevant stock exchange or regulatory authority.

The Company shall not grant stock options under the Stock Option Plan which will, when exercised, exceed 10% of the issued and outstanding shares, and further subject to the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the TSX-V, provided that the number of shares reserved for issuance, within any twelve-month period:

i) to any one option holder shall not exceed 5% of the total number of issued shares,

ii) to any one consultant shall not exceed 2% in the aggregate of the total number of issued shares, and

iii) to all persons employed or engaged to provide investor relations activities shall not exceed 2% in the aggregate of the total number of issued shares. In addition, stock options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than ¼ of the options vesting in any three-month period.

If any stock option expires or otherwise terminates for any reason without having been exercised in full, the number of shares which would have been acquired on the exercise of such stock option shall again be available for the purposes of the Stock Option Plan.

The Company's 2019 annual general and special meeting of its shareholders was held on June 24, 2020. At such meeting, the motion to permit the Stock Option Plan to continue as a rolling plan was approved.

(Expressed in Canadian dollars)

14. SHARE-BASED PAYMENTS (cont'd)

The following is a summary of changes in stock options from January 1, 2019 to December 31, 2020:

	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2019	11,325,000	$ 0.14
Issued options	200,000	0.10
Exercised options	(150,000)	0.06
Expired options	(100,000)	0.06
Cancelled options	(200,000)	0.10
Balance at December 31, 2019	11,075,000	0.14
Issued options	1,350,000	0.12
Expired options	(1,550,000)	0.11
Cancelled options	(200,000)	0.10
Balance at December 31, 2020	10,675,000	$ 0.14

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

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Contractual Life (Years)	Expiry Date
2,600,000	2,600,000	$0.175	.53	July 10, 2021
550,000	550,000	$0.14	.57	July 26, 2021
400,000	400,000	$0.17	.95	December 13, 2021
2,650,000	2,650,000	$0.165	1.99	December 27, 2022
2,925,000	2,925,000	$0.10	2.99	December 28, 2023
200,000	200,000	$0.10	3.12	February 12, 2024
1,350,000	1,350,000	$0.12	3.47	January 20, 2025
10,675,000	10,675,000			

.

.

(Expressed in Canadian dollars)

14. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Stock Options Issued During the Period

The weighted average fair value at grant date of stock options granted during the year ended December 31, 2020 was $0.05 per stock option (2019 - $0.09).

The model inputs for options granted during the year ended December 31, 2020 and 2019:

Grant Date	Expiry Date	Share Price at Grant Date $	Exercise Price $	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
02/12/2019	02/12/2024	0.10	0.10	1.82%	60 months	157.74%	0%
03/23/2020	01/20/2025	0.075	0.12	0.68%	58 months	109.00%	0%

The Company recorded share-based payment expense of $72,471 (2019 – $18,513) during the year ended December 31, 2020, of which $72,471 (2019 - $Nil) has been included in operating costs and $Nil (2019 - $18,513) included in exploration costs.

15. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority, and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, and consist of its directors, the Chief Executive Officer, and the Chief Financial Officer.

The following is a summary of the Company's key management compensation.

	Year Ended December 31, 2020 $	**2019** $
Consulting fees	220,000	195,000
Salaries and benefits	120,000	145,000
Share-based compensation	32,209	-

Included in convertible debentures is $65,000 (2019 – $65,000) owing to the Chief Executive Officer of the Company.

16. FINANCIAL and CAPITAL RISK MANAGEMENT

Fair Value

Cash and cash equivalents are carried at fair value using level 1 fair value measurement. The carrying value of receivables, and accounts payable and accrued liabilities and other payables, with the exceptions of convertible debentures, lease liabilities, and equipment loans, approximate their fair value because of the short-term nature of these instruments.

The Company records its financial instruments at amortized cost.

The financial instruments have been characterized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Risk Exposure and Management

Overview

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, interest rate risk, liquidity risk, commodity and equity price risk, and currency risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. As at December 31, 2020, the Company's maximum exposure to credit risk is the carrying value of its cash and cash equivalents, and accounts receivables in the amount of $925,586.

All off the Company's cash and cash equivalents are held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including government organizations.

16. FINANCIAL and CAPITAL RISK MANAGEMENT (cont'd)

Interest Rate Risk

The Company's financial assets exposed to interest rate risk consist of cash and short-term investments balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating rates.

The Company's debt which accrues interest is at a fixed rate and does not expose the Company to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management anticipates that it may incur expenditures towards exploring the Treasure Mountain Property and New Craigmont Property and other Company assets. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has marginal working capital, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain Property and New Craigmont Property. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial, access to other resources, and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration of the Treasure Mountain Property and New Craigmont Property or the loss or substantial dilution of any of its property interests.

Foreign Exchange Rate Risk

The Company currently is not subject to significant foreign exchange risk.

Commodity and Equity Price Risk

The ability of the Company to explore its exploration assets, recommence milling operations, and the future profitability of the Company are directly related to the market price of copper, gold, silver, and other precious metals. Equity price risk is defined as the potential adverse impact on the Company's performance to movements in individual equity prices or general movements in the level of the stock market.

Capital Management

The Company considers capital to be the elements of shareholders equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests and Merritt Mill operations. The Company manages its capital structure to maximize its financial flexibility by making adjustments to

(Expressed in Canadian dollars)

16. FINANCIAL and CAPITAL RISK MANAGEMENT (cont'd)

changes in economic conditions, and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There have been no changes to the management of capital during the current fiscal year.

Contingencies

During the year ended December 31, 2020, the Company received a demand from Clibetre Exploration Ltd. for approximately $337,000 in relation to a claimed breach of a Profit-Sharing Agreement dated June 6, 2015 by the Company. The Company plans to vigorously defend the claim as it considers this claim to be without merit. It is too early to estimate any resolution for the matter. No liability has been accrued for the claim at December 31, 2020.

17. FLOW-THROUGH SHARE OBLIGATION

	Flow-through Obligation
Balance at December 31, 2018	4,068,397
Interest costs	38,383
Recovery of flow-through obligation	(4,106,780)
Balance at December 31, 2020, and 2019	$ -

The above provision related to the Company's requirement to indemnify flow-through investors for the amount of increased tax and other costs payable by investors as a consequence of the CRA claiming the Company failed to incur qualifying exploration expenditures previously renounced to the flow-through investors.

The Company filed a Notice of Objection on July 19, 2018. On July 11, 2019, the Company was advised by the CRA that sufficient CEE had been incurred by the Company at the relevant times in order to allow a full renunciation of CEE to flow-through investors. The Company recorded a recovery for the full amount of the recorded flow-through obligation of $4,106,780. On September 24, 2019, the Company received a tax refund of previously paid Part XII.6 taxes in the amount of $328,730 from CRA less related tax penalties of $15,034.

(Expressed in Canadian dollars)

18. INCOME TAXES

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

	2020	2019
Income (Loss) before income taxes	$ (2,930,489)	$ 1,052,534
Expected income tax (recovery)	(791,000)	284,000
Change in statutory, foreign exchange rates and other	(125)	9,816
Permanent difference	25,000	(1,074,000)
Impact of flow through shares	3,000	396,000
Share issue costs	(11,000)	(19,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(1,075,000)	182,000
Change in unrecognized deductible temporary differences	1,809,000	(247,000)
Total income tax expense (recovery)	$ **(40,125)**	$ **(468,184)**

The significant components of the Company's deferred tax assets and liabilities are as follows:

	2020 $	2019 $
Deferred tax assets (liability)		
Debt with accretion	(361,000)	(468,000)
Non-capital losses	361,000	468,000
Net deferred tax liability	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2020	Expiry Date Range	2019
Exploration and evaluation assets	$4,371,000	No expiry date	$ 4,053,000
Investment tax credit	441,000	2030 to 2032	441,000
Property, plant, and equipment	20,590,000	No expiry date	20,475,000
Share issue costs	181,000	2040 to 2044	273,000
Asset retirement obligation	3,832,000	No expiry date	300,000
Non-capital losses available for future period	40,163,000	2027 to 2040	37,464,000

Tax attributes are subject to review, and potential adjustment, by tax authorities.

19. SUBSEQUENT EVENTS

a) The Company issued 264,000 common shares at a value of $0.125 per share in settlement of interest of $33,000 owing on the $330,000 January 9, 2020 Debentures.

b) The Company on January 8, 2021 issued 3,850,000 stock options vesting immediately with exercise price of $0.15 and expiry date of January 8, 2026.

c) The Company issued 1,525,000 common shares at a price of $0.10 for gross proceeds of $152,500 in connection with the exercise of 1,525,000 stock options due December 28, 2023 (Note 14 (a)). The Company issued 500,000 common shares at a price of $0.12 for gross proceeds of $60,000 in connection with the exercise of 500,000 stock options due January 20, 2025.

d) A related party Debenture holder converted a total of $65,000 at a conversion price of $0.10 and the Company issued 650,000 common shares.

e) The Company on September 23, 2020 announced that it had signed a Letter of Intent (the **"LOI"**) with High Range Exploration Ltd (**"High Range"**) to acquire 50% of the Dominion Creek Property. On January 13, 2021, the Company and High Range amended the LOI to extend the date for the good faith negotiations and execution of the Definitive Agreement to on or before April 30, 2021. The Company has carried out initial due diligence, but no transfer of funds has taken place.

f) The Company on April 28, 2021 issued 13,333,334 common shares at a price of $0.15 per share for gross proceeds of $2,000,000.

g) The Company on April 6, 2021, signed a purchase contract for gold and silver concentrate with Ocean Partners UK Limited. The purchase contract includes a USD$500,000 advance prepayment clause that allows the Company to draw down funds for the purpose of working capital. On April 26, 2021, the Company requested a prepayment of USD$250,000, which was received on April 27, 2021. Funds are expected to be allocated towards preparing the mill for production and potential acquisitions. Terms of prepayment are three month LIBOR based on USD plus 5.5% per annum plus USD$5,000 draw fee and repayable within six months. The repayment terms are interest only for first five months and sixth and final repayment of US$250,000 principal plus any outstanding interest.