CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2020 AND
FOR THE PERIOD FROM INCORPORATION ON JULY 2, 2019 TO DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Fosterville South Exploration Ltd.

Opinion

We have audited the consolidated financial statements of Fosterville South Exploration Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2020 and for the period from inception on July 22, 2019 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 Group to cease to continue as a going concern.

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

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

BDO Canada LLP

Chartered Professional Accountants

Vancouver, Canada
April 15, 2021

FOSTERVILLE SOUTH EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		December 31, 2020		December 31, 2019
				(Restated – Note 3)
ASSETS				
Current				
Cash	$	29,412,032	$	3,925,900
Restricted cash (Note 10)		-		2,720,000
Receivables		221,504		19,355
Prepaid expenses		264,947		9,193
		29,898,483		6,674,448
Equipment (Note 6)		451,943		46,873
Reclamation bonds		34,301		-
Assets held for distribution (Note 7)		600,443		-
Exploration and evaluation assets (Note 5 and 7)		847,710		685,851
	$	31,832,880	$	7,407,172
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 14)	$	711,189	$	43,020
Loans from related parties (Note 8)		-		29,175
Subscription Receipts (Note 10)		-		2,720,000
Deferred acquisition payments – current portion (Note 5)		66,182		67,463
Lease liability – current portion (Note 9)		14,367		-
		791,738		2,859,658
Deferred acquisition payments (Note 5)		54,980		87,407
Lease liability (Note 9)		36,359		-
		883,077		2,947,065
SHAREHOLDERS' EQUITY				
Share capital (Note 10)		40,174,111		2,582,221
Special Warrants (Note 10)		-		3,160,540
Contributed surplus		1,604,093		302,109
Accumulated other comprehensive loss		123,337		(2,763)
Deficit		(10,951,738)		(1,582,000)
		30,949,803		4,460,107
	$	31,832,880	$	7,407,172

Nature of operations (Note 1)

Approved and authorized on behalf of the Board of Directors on April 15, 2021

"James Hutton" Director   "Robert McMorran" Director

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

FOSTERVILLE SOUTH EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

		Year ended December 31, 2020		Period from incorporation on July 22 to December 31, 2019
				(Restated – Note 3)
EXPENSES				
Accretion (Note 5)	$	26,395	$	10,675
Consulting fees		249,593		35,300
Depreciation (Note 6)		93,885		4,311
Directors fees (Note 14)		62,000		-
Exploration expenditures (Note 7 and 14)		3,530,351		148,530
Foreign exchange loss		36,564		2,164
Investor relations		983,467		-
Management fees (Note 14)		658,000		85,000
Office expenses		81,478		25,230
Professional fees (Note 14)		581,794		56,049
Project investigation		30,844		-
Share-based payments (Note 10)		1,041,023		1,202,109
Shareholder communications and marketing		874,198		4,411
Transfer agent, filing and listing fees		179,604		-
Travel		76,214		13,511
Loss before undernoted		(8,505,410)		(1,587,290)
Held for distribution – transaction costs (note 7)		(943,129)		-
Interest income		78,801		5,290
Loss for the period		(9,369,738)		(1,582,000)
Other comprehensive income (loss):				
Exchange difference on translation of foreign operations		126,100		(2,763)
Comprehensive Loss for the period	$	(9,243,638)	$	(1,584,763)
Basic and diluted loss per common share	$	(0.17)	$	(0.06)
Basic and diluted weighted average number of common shares outstanding		53,277,251		26,776,853

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

FOSTERVILLE SOUTH EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars, except for share figures)

	Number	Amount	Special Warrants	Contributed Surplus	Accumulated Other Comprehensive loss	Deficit	Total
Balance, Inception on July 22, 2019	-	$ -	$ -	$ -	$ -	$ -	$ -
Shares issued for cash and share based compensation	26,980,001	2,134,510	-	-	-	-	2,134,510
Share issuance costs	-	(2,289)	-	-	-	-	(2,289)
Acquisition of exploration and evaluation assets	3,000,000	450,000	-	-	-	-	450,000
Special warrants issued	-	-	3,266,100	-	-	-	3,266,100
Special warrant issuance costs	-	-	(105,560)	-	-	-	(105,560)
Share based payments	-	-	-	302,109	-	-	302,109
Loss for the period	-	-	-	-	(2,763)	(1,582,000)	(1,584,763)
Balance, December 31, 2019	29,980,001	2,582,221	3,160,540	302,109	(2,763)	(1,582,000)	4,460,107
Exercise of special warrants	8,202,750	3,175,540	(3,160,540)	-	-	-	15,000
Conversion of subscription receipts	6,800,000	2,720,000	-	-	-	-	2,720,000
Private placements	15,598,860	22,849,996	-	-	-	-	22,849,996
Share issuance costs	-	(3,090,434)	-	1,083,170	-	-	(2,007,264)
Exercise of stock options	2,020,000	1,411,587	-	(603,587)	-	-	808,000
Exercise of share purchase warrants	5,091,772	10,192,201	-	(218,622)	-	-	9,973,579
Acquisition of exploration and evaluation assets	225,000	333,000	-	-	-	-	333,000
Share-based payments	-	-	-	1,041,023	-	-	1,041,023
Loss for the year	-	-	-	-	126,100	(9,369,738)	(9,243,638)
Balance, December 31, 2020	67,918,383	$ 40,174,111	$ -	$ 1,604,093	$ 123,337	$ (10,951,738)	$ 30,949,803

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

FOSTERVILLE SOUTH EXPLORATION LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended December 31, 2020 $	Period from incorporation on July 22 to December 31, 2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	$ (9,369,738)	$ (1,582,000)
Items not involving cash:		
Accretion	26,395	10,675
Finance expense	4,428	-
Depreciation	93,885	4,311
Share-based payments	1,041,023	1,202,109
Held for distribution – transaction costs	943,129	-
Changes in non-cash working capital items:		
Receivables	(187,149)	(19,355)
Prepaid expenses	(255,754)	(9,193)
Accounts payable and accrued liabilities	369,252	43,020
Net cash used in operating activities	(7,334,529)	(350,433)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Exploration and evaluation property acquisitions	(569,372)	(65,360)
Reclamation bonds	(34,301)	-
Equipment acquisition costs	(412,623)	(51,728)
Held for distribution – transaction costs incurred	(499,212)	-
Net cash used in investing activities	(1,515,508)	(117,088)
CASH FLOW FROM FINANCING ACTIVITIES:		
Private placement	22,849,996	1,234,510
Subscription receipts issued	-	2,720,000
Special Warrants issued	-	3,266,100
Exercise of stock options	808,000	-
Warrants	9,973,579	-
Issuance costs	(2,007,264)	(107,849)
Repayment of loans	(26,412)	(228)
Repayment of lease liabilities	(13,870)	-
Net cash provided by financing activities	31,584,029	7,112,533
Change in cash during the period	22,733,992	6,645,012
Foreign exchange	32,140	888
Cash – beginning of the period	6,645,900	-
Cash – end of the period	$ 29,412,032	$ 6,645,900

Supplemental disclosure with respect to cash flows (Note 15)

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

1. NATURE OF OPERATIONS

Fosterville South Exploration Ltd. ("the Company" or "Fosterville") was incorporated under the Business Corporations Act of British Columbia on July 22, 2019. The Company is engaged in the acquisition, exploration and development of mineral properties in Australia. The Company's head office is located at 488 – 1090 West Georgia Street, Vancouver, BC V6E 3V7.

On March 18, 2020, the Company filed its initial prospectus and on March 25, 2020 the Company issued 8,202,750 common shares on the conversion of special warrants and 6,800,000 common shares on the conversion of subscription receipts (Note 10). On April 14, 2020, the Company's shares commenced trading on the TSX Venture Exchange (the "TSX-V") under the symbol FSX.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company is well capitalized and has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments measured at fair value through profit and loss.

Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned and controlled subsidiaries, Currawong Resources Pty Ltd. ("Currawong") from date of acquisition (Note 5), incorporated in Australia on September 10, 2014, Bendigo Gold Corp. ("Bendigo"), incorporated in Canada on November 8, 2019, and Leviathan Gold Ltd ("Leviathan") and its wholly owned subsidiary Leviathan Gold (Australia) PTY Ltd ("Leviathan Australia"), for the period from their incorporations on June 24, and June 29, 2020 respectively to the date of their spin-out on November 23, 2020 (Note 7) .

2. BASIS OF PREPARATION (Cont'd…)

Fosterville, Bendigo and Leviathan have a functional currency of Canadian Dollar (CAD). Currawong and Leviathan Australia have a functional currency of the Australian Dollar (AUD).

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Recognition and classification

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes a party to the contractual provisions of the financial instrument.

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of financial asset debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics.

Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

Financial assets at FVTOCI

Elected 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 recognized in other comprehensive income (loss).

Financial assets and liabilities at amortized cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Financial instruments (Cont'd…)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets, is recognized in profit or loss.

Foreign Currencies

The presentation currency of the Company is the Canadian dollar. The functional currency is the currency of the primary economic environment in which the entity operates.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Foreign Currencies (Cont'd…)

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive loss related to the subsidiary are reallocated between controlling and non-controlling interests.

Equipment

Equipment includes furniture, equipment and leasehold improvements, which is carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures directly attributable to bringing the asset to its operating location and condition necessary for it to be capable of operating in the intended manner.

Repairs and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life or result in an operating improvement. In these instances, the portion of these repairs relating to the betterment is capitalized as part of equipment.

Depreciation is based on the cost of the assets less estimated residual value and the expected useful life. Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items and depreciated separately. Depreciation commences when an asset is available for use and is recorded until an asset is disposed of or otherwise removed from services. Depreciation is recorded using the straight-line method over three years for equipment. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

Impairment of long-lived assets

At each reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and the value in use. If the recoverable amount of an asset 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 profit or loss for the year. Impairment is assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets.

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 profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Provision for decommissioning and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2020, the Company has no known material restoration, rehabilitation or environmental liabilities related to its exploration and evaluation assets. In order to obtain the necessary exploration permits, the Company posted reclamation bonds of $34,301 (2019 - $nil).

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of- use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Common shares, warrants and Special Warrants issued by the Company are classified as equity instruments.

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Share capital (Cont'd…)

Equity financing transactions may involve the issuance of units. Units comprise common shares and share purchase warrants. The Company accounts for unit offering proceeds between common shares and share purchase warrants using the residual value method, with the common shares being valued first and the balance, if any, is allocated to the attached warrants.

Warrants issued to agents or brokers on a non-cash basis in connection with corporate financings are recorded at fair value using the Black-Scholes option pricing model and charged against share capital as issue costs with an offsetting increase to contributed surplus.

Equity financing transactions may also involve the issuance of Special Warrants. Depending on the terms of a Special Warrant offering they may convert into either common shares or units. At the time of the offering costs directly identifiable with the offering are charged against Special Warrants. If the Special Warrants convert into common shares, on conversion to common shares the balance carried in Special Warrants is allocated to share capital.

If the Special Warrants convert into units, on conversion to units the balance carried in Special Warrants is allocated between common shares and share purchase warrants using the residual value method at the time of conversion, with the common shares being valued first and the balance, if any, being allocated to the attached warrants.

Special Warrant issuance costs incurred in advance of receipt of Special Warrant receipts are recorded as deferred assets. Share issuance costs related to uncompleted Special Warrant subscriptions are charged to operations.

Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period. Diluted loss per share represents the loss for the period, divided by the weighted average number of common shares outstanding during the period plus the weighted average number of dilutive shares resulting from the exercise of stock options, warrants and other similar instruments where the inclusion of these would not be anti-dilutive. Contingently releasable escrow common shares are excluded from the calculation of weighted average number of common shares outstanding.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Share-based payments (Cont'd…)

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

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

Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous periods.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. 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 reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd…)

Change in accounting policy

Exploration and Evaluation Assets

The Company has changed its accounting policy for exploration and evaluation expenditures from the policy previously adopted for its financial statements for the period from incorporation on July 22, 2019 to December 31, 2019. The Company previously capitalized the acquisition costs of exploration and evaluation assets and deferred exploration expenditures directly related to specific exploration and evaluation assets. Under the new policy, exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to the statement of loss and comprehensive loss as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Mineral property acquisition costs will continue to be capitalized and include consideration and transaction costs for mineral property interests. These costs are amortized over the estimated life of the property following commencement of commercial production. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The Company has accounted for this change in accounting policy on a retrospective basis. The deficit and the exploration and evaluation asset on the statement of financial position have been restated for the prior period and presented as if the new accounting policy had always been applied. The impact of this change was to decrease exploration and evaluation assets and increase the deficit by the exploration expenditures incurred of $148,530, or $0.006 per share, for the period from incorporation on July 22, 2019 to December 31, 2019.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only; in the period of the change and future periods, if the change affects both.

Critical Judgments

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (cont'd…)

Critical Judgments (cont'd…)

Title to mineral property interests

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

Impairment of exploration and evaluation assets

The carrying value and recoverability of exploration and evaluation assets requires management to make certain estimates, judgments and assumptions about each project. Management considers the economics of the project, including the latest resource prices and the long-term forecasts, and the overall economic viability of the project. Management has assessed these indicators and does not believe an impairment provision is required.

Issuances of shares for properties

Management makes judgments in determining the share price attributed to issuances of shares for mineral properties. Management considers market conditions, recent or pending private placements of the Company, and or contracted terms of the issuance. Should management's judgment as to an appropriate share price be incorrect, the value attributed to properties could be materially different.

Asset acquisition

The assessment of whether an acquisition meets the definition of a business or an asset is an area of key judgment. In the acquisition of Currawong, judgement was required to determine if the acquisition represented a business combination or an asset acquisition. More specifically, management concluded that Currawong did not represent a business as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the Transaction (Note 5) represented the acquisition of an asset, there was no goodwill recognized and the transactions costs were capitalized to the assets purchased rather than expensed.

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:

Share-based payment

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

(Expressed in Canadian Dollars)

5. ACQUISITION OF CURRAWONG RESOURCES PTY LTD

On August 8, 2019, the Company closed the acquisition of Currawong ("the Transaction") pursuant to the terms of a share purchase agreement (the "Currawong Agreement"). The Company acquired all of the issued and outstanding common shares of Currawong by issuing 3,000,000 common shares of the Company and agreeing to make total payments of AUD$300,000 as follows:

- AUD$75,000 on closing (paid CAD$68,241);
- AUD$75,000 by August 8, 2020 (paid CAD$71,702);
- AUD$75,000 by August 8, 2021; and
- AUD$75,000 by August 8, 2022.

The transaction did not meet the definition of a business combination and therefore, was accounted for as an asset purchase of mineral property interests. The fair value of the consideration paid for the acquisition of Currawong has been allocated to the assets acquired and liabilities assumed, based on management's best estimate and taking into account all available information at the time of acquisition.

The following table summarizes the fair value of the total consideration paid and the aggregate fair value of the identified assets acquired and liabilities assumed:

Purchase price	**$**
Cash	68,241
3,000,000 common shares of the Company at $0.15 per share	450,000
Fair value of deferred payments	142,037
Fair value of consideration	660,278

Net assets acquired	**$**
Cash	2,881
Exploration and evaluation assets	686,389
Liabilities	(28,992)
	660,278

The fair value of the deferred payments of $142,037 over a three-year period was determined on the date of the acquisition using a discounted cash flow model. A discount rate of 20% was used. The changes in the value of the deferred payments for the periods ended December 31, 2020 and 2019, are as follows:

	December 31, 2020 **$**	**December 31, 2019** **$**
Balance, beginning of period	154,870	-
Asset acquisition	-	142,037
Accretion expense	26,395	10,675
Payments	(71,702)	-
Foreign exchange	11,599	2,158
Balance, end of period	121,162	154,870
Current portion	66,182	67,463
Non-current portion	54,980	87,407

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Vehicles $	Equipment $	Right of Use Asset (lease) $	Total $
Cost				
Balance at July 22, 2019	-	-	-	-
Additions	-	51,728	-	51,728
Foreign exchange	-	(594)	-	(594)
Balance at December 31, 2019	-	51,134	-	51,134
Additions	94,898	317,724	55,882	468,504
Foreign exchange	6,036	24,204	6,362	36,602
Balance at December 31, 2020	100,934	393,062	62,244	556,240
Accumulated depreciation				
Balance at July 22, 2019	-	-	-	-
Depreciation	-	4,311	-	4,311
Foreign exchange	-	(50)	-	(50)
Balance at December 31, 2019	-	4,261	-	4,261
Depreciation	14,347	66,132	13,406	93,885
Foreign exchange	913	4,385	853	6,151
Balance at December 31, 2020	15,260	74,778	14,259	104,297
Carrying amount				
As at December 31, 2019	-	46,873	-	46,873
As at December 31, 2020	85,674	318,284	47,985	451,943

7. EXPLORATION AND EVALUATION ASSETS

Currawong Projects

During the year ended December 31, 2019 the Company acquired a 100% right, title and interest in and to the Central Victoria Properties in Australia (Note 5). The Central Victoria Properties are exploration stage properties comprised of the Lauriston Gold Project, the Golden Mountain Project, the Providence Project and other exploration license applications filed with the state of Victoria, in the south east area of Australia.

Moormbool, Avoca and Timor Projects

During the year ended December 31, 2020 the Company entered into a purchase agreement with Mercator Gold Australia Pty. Ltd. ("Mercator"), a subsidiary of Alternative Investment Market-listed ECR Minerals PLC, whereby it acquired a 100% interest in three high-grade gold projects called the Timor project, the Avoca project and the Moormbool project.

Under the terms of the purchase agreement, the Company paid $448,495 (AUD$500,000) to Mercator in consideration of a 100% interest in the gold projects. The Company will also pay Mercator AUD$1 for every ounce of gold or gold equivalent of measured resource, indicated resource or inferred resource within one or more of the tenements comprising the gold projects, which payment shall not exceed a total of AUD$1,000,000. In the event the Company carries out commercial production on the gold projects, the Company will pay Mercator AUD$1 for every ounce of gold or gold equivalent ounces produced from the tenements comprising the gold projects, which payment shall not exceed a total of AUD$1,000,000.

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Moormbool, Avoca and Timor Projects

The Company also entered into a separate agreement with FliteGold Pty. Ltd. ("FliteGold"), an entity controlled by Mr. Rex Motton, a director of the Company, that held a royalty over the Avoca project. The Company issued 225,000 shares valued at $333,000 to FliteGold and, in consideration of which, FliteGold terminated its royalty on the Avoca project.

Spin-out

During the year ended December 31, 2020, the Company announced its board of directors had approved a spinout transaction, which was completed subsequent to year end.

On October 1, 2020, the Company entered into an Arrangement Agreement (the "Arrangement Agreement") with its wholly-owned subsidiary Leviathan and an unrelated company incorporated under the laws of British Columbia, Leviathan Finance Ltd ("FinCo"). Under the terms of the Arrangement Agreement, the Company spun-out Leviathan and Leviathan's wholly owned subsidiary, Leviathan Australia, (the "Transaction") on November 23, 2020 by way of a distribution of 67,907,831 shares of Leviathan to the Company's shareholders. The result of this distribution was that each Fosterville shareholder received shares in Leviathan proportionate to their share ownership in the Company. At the time of the spin-out of Leviathan shares, Leviathan did not hold any assets or liabilities and the Transaction was accounted for as a distribution to shareholders of nominal value that did not have an impact on the consolidated accounts of the Company.

Following the completion of the Transaction, Finco completed a brokered financing of subscription receipts at $0.50 per subscription receipt for total gross proceeds of $12,914,000.

As part of the Arrangement Agreement, Currawong entered into an agreement to dispose of the Avoca and Timor Projects and certain other tenements (the "Avoca and Timor Projects") to Leviathan Australia for cash, at their fair value of $745,443 (AUD$764,081 – received subsequent to year-end). Under the terms of the Arrangement Agreement, Leviathan Australia also assumed the underlying obligations of the Company and Currawong under the original purchase agreements.

Subsequent to the completion of the Transaction and prior to the completion of the acquisition of the Avoca and Timor Projects from Currawong, Leviathan caused 1274996 B.C Ltd., a newly-incorporated wholly owned subsidiary of Leviathan, to amalgamate with FinCo (the "Amalgamation"). Following the Amalgamation, Leviathan applied and received approval to list on the TSXV and commenced trading on February 10, 2021.

During the year ended December 31, 2020 the Company reclassified the capitalized expenditures relating to the Avoca and Timor projects as Held for Distribution, as it was considered highly probable the transaction would complete. Held for distribution assets are measured at the lower of carrying amount and fair value less costs to distribute. Management estimated that the fair value less costs to distribute the assets held for distribution at December 31, 2020 at $600,443 being the fair value of the Avoca and Timor projects ($745,443) less costs of $145,000 expected to be incurred to complete the spin-out transaction. Total spin-out transaction costs totaled $943,129 with $145,000 incurred subsequent to December 31, 2020.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Beechworth Projects

During the year ended December 31, 2020 the Company entered into a property acquisition agreement with Northern Mine Ventures P/L ("Northern Mine"), whereby it will acquire the 36-square-kilometre Beechworth gold project in Victoria, Australia, held within EL4697 and RLA006013 by Northern Mine.

Pursuant to the terms of a purchase agreement between the Company and Northern Mine, the Company paid CAD$49,175 (AUD $50,000) to Northern Mine and agreed to pay an additional AUD $250,000 on the date that the granted Exploration Licence is converted to a Retention Licence (the application to convert to a Retention Licence has been filed but has not been converted). The Company also agreed to incur AUD $130,000 in exploration expenditures on the project within 90 days. Northern Mine retained a 2.5% NSR, which may be repurchased with a one-time payment of AUD $2,000,000.

Other Projects

In addition to the projects listed above, the Company has submitted tenement applications for new projects, including the Walhalla Project, and other areas contiguous to current projects. All projects are in Victoria, Australia.

Below is a summary of the changes in the exploration and evaluation assets for the periods ended December 31, 2020 and 2019:

	December 31, 2020 $	December 31, 2019 $
Balance, beginning of period	685,851	-
Asset acquisition (Note 5)	-	686,389
Moormbool, Avoca, Timor acquisition	781,495	-
Reclassified as Held for Distribution	(711,108)	-
Beechworth acquisition	49,175	-
Foreign exchange	42,297	(538)
Balance, end of period	847,710	685,851

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (cont'd…)

During the year ended December 31, 2020, the Company incurred exploration costs as follows:

Exploration Expenditures	Golden Mountain Project	Lauriston Project	Other Projects	Total
Assay	$ 61,130	$ 31,647	$ 14,277	$ 107,054
Data compilation	40,398	14,808	25,445	80,651
Drilling	1,502,559	92,594	1,124	1,596,277
Field expenditures	79,883	13,743	72,867	166,493
Geological consulting	193,946	100,867	378,425	673,238
Geophysics	31,241	-	44,484	75,725
Mapping and surveying	11,315	2,635	5,110	19,060
Project administration	25,543	26,166	35,670	87,379
Rehabilitation	6,684	2,118	-	8,802
Room and board	367	-	18,147	18,514
Salaries and wages	114,342	8,822	82,008	205,172
Sampling	27,129	99,422	117,913	244,464
Tenement administration & fees	17,478	19,170	172,898	209,546
Travel	17,100	4,203	16,673	37,976
	$ 2,129,115	$ 416,195	$ 985,041	$3,530,351

Under Australian mining laws, the Company is required to incur AUD$15,000 plus AUD $150 per km2 in first year, AUD $200 per km2 for each of second, third and fourth year and AUD $300 per km2 for each year thereafter. The expenditure commitment per km2 increases over time, but is offset by forced tenement area reductions on the second and fourth anniversary of 25% and 40% respectively.

Pursuant to the Australian mineral rights regulations, the Company is required to incur minimum exploration expenditures on both granted and pending licenses of AUD$1,058,450 in 2021, AUD$1,161,925 in 2022, AUD$991,785 in 2023, AUD$987,180 in 2024 and AUD$936,750 in 2025 in order to maintain the exploration licenses.

(Expressed in Canadian Dollars)

8. LOANS FROM RELATED PARTIES

On August 8, 2019, the Company assumed loans payable of AUD$31,983 (CAD$28,992) to a director and a company owned by a director of the Company as a result of the Transaction (Note 5). The loans were non-interest bearing, due on demand, unsecured and had no maturity date. The balance outstanding as at December 31, 2020 was $nil.

	December 31, 2020 $	December 31, 2019 $
Balance, beginning of the period	29,175	-
Acquisition	-	28,992
Loan repayments	(26,412)	(228)
Foreign exchange	(2,763)	411
Balance, end of the period	-	29,175

9. LEASE LIABILITY

	December 31, 2020 $	December 31, 2019 $
Balance, beginning of the period	-	-
Lease liability recognized	55,882	-
Lease payments	(13,870)	-
Accrued finance expense	4,428	-
Foreign exchange	4,286	-
Balance, end of the period	50,726	-
Current portion	14,367	-
Non-current portion	36,359	-
	50,726	-

During the year ended December 31, 2020 the Company leased a storage warehouse in Bendigo, Australia. The lease term has been estimated at 4 years, which includes a 2-year optional extension. The lease liability was discounted at a rate of 9%.

10. SHARE CAPITAL

Authorized – Unlimited common shares without par value.

Share issuances:

During the year ended December 31, 2020, the Company:

a) Closed a private placement financing and issued a total of 13,636,360 units at a price of $1.10 per unit for gross proceeds of $14,999,996. Each Unit consisted of one common share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase a Common Share at an exercise price of $2.00 for a period of 24 months ending May 14, 2022.

   The Company paid a syndicate of agents a cash commission of $998,729 and issued a total of 907,937 common share purchase warrants (the "Broker Warrants"), with each Broker Warrant exercisable at $1.10 per Common Share for a period of 24 months ending May 14, 2022. The Broker Warrants were valued at $794,988 using Black-Scholes. The Company used the following assumptions when valuing the underwriters warrants: expected volatility of 100%, risk free interest rate of 0.27%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

b) Issued 225,000 shares valued at $333,000 to FliteGold, in consideration of which, FliteGold terminated its royalty on the Avoca project. (Note 5).

c) Closed a private placement financing and issued a total of 1,962,500 units at a price of $4.00 per unit for gross proceeds of $7,850,000. Each Unit consisted of one common share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to purchase a Common Share at an exercise price of $4.95 for a period of 24 months ending July 21, 2022.

   The Company paid a syndicate of agents a cash commission of $485,870 and issued a total of 121,468 common share purchase warrants with each broker warrant exercisable at $4.00 per Common Share for a period of 24 months ending July 21, 2022. The Broker Warrants were valued at $288,182 using Black-Scholes. The Company used the following assumptions when valuing the underwriters warrants: expected volatility of 100%, risk free interest rate of 0.27%, life of 2 years, dividend yield of 0% and forfeiture rate of 0%.

d) Paid other share issuance costs of $549,665 relating to the private placements.

e) Received $808,000 from the exercise of 2,020,000 stock options and $9,973,579 from the exercise of 5,091,772 share purchase warrants.

During the period ended December 31, 2019 the Company:

a) Issued one common share at a price of $1.00 per share.

b) Issued 12,750,000 common shares for total proceeds of $9.

c) Issued 3,000,000 common shares for all of the issued and outstanding securities of Currawong. Management estimated the fair value of these shares at $450,000 (Note 5).

d) Issued 9,000,000 common shares with a fair value of $0.15 per share for cash of $0.05 per common share. Share-based compensation expense of $0.10 per share ($900,000 in aggregate) was recorded upon the issuance of these common shares.

10. SHARE CAPITAL (cont'd…)

Share issuances:

e) Issued 5,230,000 common shares at a price of $0.15 per share for total cash proceeds of $784,500.

Subscription Receipts and Special Warrants

On October 30, 2019, the Company closed a private placement by issuing an aggregate of 6,800,000 subscription receipts at a price of $0.40 per subscription receipt for gross proceeds of $2,720,000. In November 2019, the Company closed a private placement by issuing an aggregate of 8,202,750 special warrants at a price of $0.40 per special warrant for gross proceeds of $3,281,100.

The subscriptions receipts were included in restricted cash as at December 31, 2019. On March 25, 2020, the Subscription Receipts and Special Warrants converted to 15,002,750 common shares.

Share issue costs of $283,051 have been incurred in connection with the subscription receipts and special warrants financings.

Escrowed shares

As at December 31, 2020, the Company had 16,825,001 common shares subject to escrow release restrictions, of which, 1,100,000 were released on January 14, 2021, 4,025,000 were released on April 14, 2021, and 2,925,000 common shares will be released on each of the following dates: October 14, 2021, April 14, 2022, October 14, 2022 and April 14, 2023

Stock Options and Warrants

The Directors of the Company adopted a stock option plan on December 12, 2019 (the "Option Plan"). The Option Plan provides that, subject to the requirements of the Exchange, the aggregate number of securities reserved for issuance will be 10% of the number of the Company's common shares issued and outstanding at the time such options are granted. Options may be granted under the Option Plan to such directors, officers, employees, management or consultants of the Company and its affiliates, if any, as the Board of Directors may from time to time designate. The Option Plan provides that the number of Common Shares that may be reserved for issuance to any one individual upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares, if the individual is a director, officer, employee or consultant, or 2% of the issued common shares, if the individual is engaged in providing investor relations services, in a twelve month basis, unless disinterested shareholder approval is obtained. All options granted under the Option Plan will expire not later than the date that is ten years from the date that such options are granted. Options terminate earlier as follows: (i) immediately in the event of dismissal with cause; (ii) 90 days from date of termination other than for cause; or (iii) one year from the date of death or disability.

During the year ended December 31, 2020 the Company granted 345,000 (period from incorporation on July 22, 2019 to December 31, 2019 - 4,150,000) stock options exercisable at $0.40 per option for a term expiring five years from the date of listing on the TSX-V to directors, officers and consultants of the Company. The options vested upon listing on the TSX-V on April 14, 2020. During the year ended December 31, 2020 the Company has recorded $1,041,023 (Period from incorporation on July 22, 2019 to December 31, 2019 - $302,109) of share-based payments expense.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (cont'd…)

Stock Options and Warrants (cont'd…)

The following weighted average assumptions were used for the valuation of stock options:

	Year ended December 31, 2020	Period from incorporation on July 22, 2019 to December 31, 2019
Risk-free interest rate	1.62%	1.64%
Expected life of options	5 years	5 years
Annualized volatility	100%	100%
Dividend rate	0.00%	0.00%
Forfeiture rate	0.00%	0.00%

The changes in the stock options and share purchase warrants for the year ended December 31, 2020 are as follows:

	Stock Options		Warrants	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Balance, July 22, 2019	-	-	-	-
Granted	4,150,000	0.40	-	-
Balance, December 31, 2019	4,150,000	0.40	-	-
Granted	345,000	0.40	8,828,835	2.26
Exercised	(2,020,000)	0.40	(5,091,772)	1.95
Balance, outstanding and exercisable December 31, 2020	2,475,000	0.40	3,737,063	2.68

The balance of stock options and share purchase warrants outstanding as at December 31, 2020 was as follows:

Expiry Date	Number	Exercise Price - $	Remaining Life (Years)
Stock options			
April 14, 2025	2,475,000	0.40	4.29
Warrants			
May 14, 2022	658,254	1.10	1.37
May 14, 2022	1,981,091	2.00	1.37
July 21, 2022	121,468	4.00	1.55
July 21, 2022	976,250	4.95	1.55

(Expressed in Canadian Dollars)

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company is dependent on the capital markets as its primary source of operating capital and the Company's capital resources are largely determined by its ability to compete for investor support of its projects.

There were no changes to the Company's approach to capital management during the year ended December 31, 2020.

12. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2020 and 2019 are as follows:

		2020		Period from incorporation on July 22, 2019 to December 31, 2019
Loss before income taxes	$	(9,369,738)	$	(1,582,000)
Expected income tax (recovery)	$	(2,530,000)	$	(427,000)
Change in statutory, foreign tax and other		(189,000)		(12,000)
Permanent differences		395,000		327,000
Change in unrecognized deductible temporary differences		2,324,000		112,000
Income tax recovery	$	-	$	-

The significant components of the Company's deferred income tax assets as at December 31are as follows:

	2020 **$**	**2019** **$**
Non-capital loss carry forward	2,277,642	66,170
Share issue and financing costs	737,640	26,535
Resource property costs	(7,850)	(3,769)
Foreign exchange and other	3,374	386
Unrecognized deferred income tax assets	(3,010,806)	(89,322)
Net deferred tax asset	**-**	**-**

As at December 31, 2020, the Company has non-capital losses carried forward in Canada for income tax purposes of approximately $3,891,565 (2019 - $205,298) available to offset future income for income tax purposes which expire in 2039. The Company also has tax losses in Australia of approximately $4,089,730 (2019 - $35,799) which may be carried forward indefinitely and applied against future assessable income. Future tax benefits, which may arise as a result of these losses, have not been recognized in these consolidated financial statements.

13. FINANCIAL INSTRUMENTS

For financial instruments held by the Company, management classifies cash as FVTPL, and accounts payable and accrued liabilities, loans from related parties, Subscription Receipts, and deferred acquisition payments as amortized cost.

a) Fair value of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

As at December 31, 2020, the Company believes that the carrying values of accounts payable and accrued liabilities approximate their fair values because of their nature and relatively short maturity dates or durations. The carrying value of deferred acquisition payments approximates fair value because the factors considered in assessing the fair value of this item have not changed from the issuance date to December 31, 2020. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

b) Management of risks arising from financial instruments

Discussions of risks associated with financial assets and liabilities are detailed below:

Credit risk
Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with reputable Canadian and Australian banks. The credit risk related to cash is considered minimal.

Interest rate risk
Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize such a loss is limited because the Company has no interest-bearing financial instruments.

13. FINANCIAL INSTRUMENTS (cont'd…)

b) Management of risks arising from financial instruments (cont'd…)

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable settlement of transactions as they come due. Management monitors the Company's contractual obligations and other expenses to ensure adequate liquidity is maintained.

Contractual cash flow requirements as at December 31, 2020 were as follows:

	< 1 year $	1 – 2 years $	3 – 5 years $	Total $
Accounts payable and accrued liabilities	711,189	-	-	711,189
Lease liabilities	18,352	19,086	21,445	58,884
Deferred acquisition payments	73,762	73,762	-	147,524
Total	803,303	92,848	21,445	917,597

Currency risk

The international nature of the Company's operations results in foreign exchange risk. The Company's operating costs are primarily in Canadian dollars, Australian dollars and US dollars. Any fluctuations of the Canadian dollar in relation to these currencies may affect the profitability of the Company and the value of the Company's assets and liabilities. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

14. RELATED PARTY TRANSACTIONS

Key management compensation consists of the Chairman, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and the Board of Directors. The Company incurred charges to directors and officers, or to companies associated with these individuals, during the periods ended December 31, 2020 and 2019 as follows:

	December 31, 2020 $	December 31, 2019 $
Directors fees	62,000	-
Management fees	658,000	85,000
Exploration related and Geological consulting fees	380,794	30,000
Professional fees	349,220	47,650
Share issuance costs	72,476	16,850
Share-based payments	733,896	207,472
	2,256,386	386,972

As at December 31, 2020, $114,753 (December 31, 2019 - $29,792) was included in accounts payable and accrued liabilities owing to directors, officers, and companies controlled or affiliated with directors and officers of the Company in relation to fees and reimbursement of expenses.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2020 the Company entered into the following non-cash transactions:

a) Issued 225,000 shares valued at $333,000 as exploration and evaluation acquisition costs;

b) Reclassified $711,108 from exploration and evaluation assets to Held for Distribution assets;

c) Issued broker warrant valued at $1,083,170 as shares issuance costs;

d) Entered into lease agreements and recognized a Right of Use asset of $55,882;

e) Converted subscription receipts received and included in restricted cash as at December 31, 2019 of $2,720,000 to 6,800,000 common shares (note 10);

f) Incurred $298,917 of transaction costs related to the assets held-for-distribution through accounts payable (Note 7).

During the period from incorporation on July 22, 2019 to December 31, 2019 the Company issued 3,000,000 shares valued at $450,000 as exploration and evaluation acquisition assets.

No cash was paid for interest or taxes for the periods ended December 31, 2020 and 2019.