CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cypress Hills Resource Corp.

Opinion

We have audited the accompanying consolidated financial statements of Cypress Hills Resource Corp. (the "Company"), 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 shareholders' equity (deficiency), and cash flows 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.

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 Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 21, 2021

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		December 31, 2020		December 31, 2019
Assets				
Current assets				
Cash	**$**	**355,321**	$	5,480
Accounts receivable		**2,451**		2,146
Deposit		**391**		391
Total assets	**$**	**358,163**	$	8,017
Liabilities and Shareholders' Equity (Deficiency)				
Current liabilities				
Accounts payable and accrued liabilities – Notes 7, 10	**$**	**53,067**	$	215,168
Shareholder loans – Note 8		**-**		128,070
Total current liabilities		**53,067**		343,238
Decommissioning liabilities – Note 6		**-**		36,881
Total liabilities		**53,067**		380,119
Shareholders' equity (deficiency)				
Share capital – Note 9		**2,367,923**		1,681,949
Contributed surplus		**355,769**		355,769
Deficit		**(2,418,596)**		(2,409,820)
Total shareholders' equity (deficiency)		**305,096**		(372,102)
Total liabilities and shareholders' equity (deficiency)	**$**	**358,163**	$	8,017

Basis of presentation and going concern (Note 2)

Events subsequent to the reporting period (Note 5)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Signed: *"Brian Bayley"*
Brian Bayley, Director

Signed: *"Richard Graham"*
Richard Graham, Director

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended December 31,	**2020**	2019 (reclassified [1])
Operating and administrative expenses		
Professional fees	**$ 37,717**	$ 24,282
Transfer agent, listing, filing and shareholder communications fees	**23,842**	17,664
Corporate and administrative services – Note 10	**17,602**	19,024
Consulting	**3,600**	-
Interest on shareholder loans – Note 8	**2,183**	2,341
Office and other	**1,150**	1,517
Total operating and administrative expenses	**(86,094)**	(64,828)
Other income (expenses)		
Gain on disposal of subsidiary – Note 4	**56,719**	-
Gain on derecognition of accounts payable and accrued liabilities - Note 7	**22,868**	-
Operating expenses and royalties	**(2,295)**	(3,681)
Oil and gas sales	**26**	319
Revaluation of decommissioning liabilities – Note 6	**-**	(3,060)
Gain on disposal of assets and decommissioning liabilities – Note 6	**-**	495
Net loss and comprehensive loss for the year	**$ (8,776)**	$ (70,755)
Weighted average number of common shares outstanding (basic and diluted)	**13,869,069**	9,961,965
Basic and diluted loss per common share	**$ (0.00)**	$ (0.01)

1. The presentation and classification of operating and administrative expenses and other income (expenses) for the year ended December 31, 2019 has been restated to conform with the presentation and classification of these expenses for the year ended December 31, 2020. This reclassification did not result in a change to the net loss and comprehensive loss as previously reported for the year ended December 31, 2019.

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2018	$ 1,681,949	$ 355,769	$ (2,339,065)	$ (301,347)
Net loss and comprehensive loss	-	-	(70,755)	(70,755)
Balance, December 31, 2019	1,681,949	355,769	(2,409,820)	(372,102)
Private placement of common shares	700,000	-	-	700,000
Share issuance costs	(14,026)	-	-	(14,026)
Net loss and comprehensive loss	-	-	(8,776)	(8,776)
Balance, December 31, 2020	**$ 2,367,923**	**$ 355,769**	**$ (2,418,596)**	**$ 305,096**

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

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended December 31,	**2020**	2019
OPERATING ACTIVITIES		
Net loss for the year	**$ (8,776)**	$ (70,755)
Adjustments for non-cash items:		
Gain on disposal of subsidiary	**(56,719)**	-
Gain on derecognition of accounts payable and accrued liabilities	**(22,868)**	-
Interest on shareholder loans	**2,183**	2,341
Gain on disposal of assets and decommissioning liabilities	**-**	(495)
Change in non-cash working capital items:		
Accounts receivable	**(961)**	(175)
Accounts payable and accrued liabilities	**(103,739)**	32,984
Total cash used in operating activities	**(190,880)**	(36,100)
INVESTING ACTIVITIES		
Derecognized on disposal of subsidiary	**(15,000)**	-
Total cash used in investing activities	**(15,000)**	-
FINANCING ACTIVITIES		
Proceeds from sale of shares	**700,000**	-
Payment of share issuance costs	**(14,026)**	-
Proceeds from shareholder loans	**40,000**	30,000
Repayment of shareholder loans	**(170,253)**	-
Total cash provided by financing activities	**555,721**	30,000
Change in cash for the year	**349,841**	(6,100)
Cash, beginning of year	**5,480**	11,580
Cash, end of year	**$ 355,321**	$ 5,480

Supplemental cash flow information

There were no non-cash investing or financing activities during the years ended December 31, 2020 and 2019.

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

NOTE 1 – NATURE OF BUSINESS

Cypress Hills Resource Corp. (the "Company" or "Cypress") is a Tier 2 mining issuer on the TSX Venture Exchange ("TSXV") and holds an option to earn up to an undivided 80% in 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory (Note 5). Previously, the Company held, through a wholly-owned subsidiary, minor working interests in oil and gas sites that had no significant revenues. On December 31, 2020, the Company sold the shares in the subsidiary and retains no direct or indirect interest in these sites.

To facilitate the change in operations from oil and gas to mineral exploration, the Company completed a private placement of its common shares for total gross proceeds of $700,000 on August 11, 2020, as further discussed in Note 9. The gross proceeds from the private placement were used to repay shareholder loans (Note 8) and other outstanding accounts payable and accrued liabilities and will be used to fund future working capital requirements including payments and expenditures required pursuant to the quartz mining option, although additional financing is required to make all future option payments.

Currently, there is no plan to consolidate the Company's share capital, but the Company has shareholder approval to consolidate its common shares on a basis of up to five pre-consolidation shares for one post-consolidation share.

The address of the Company's principal operating office is #1703, 595 Burrard St., Vancouver, B.C. Further information is available on the Company's profile on www.sedar.com.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. To date, the COVID-19 pandemic has not had a significant impact on the Company's operations or on the carrying value of its assets. However, the pandemic's effect on broader capital markets may hinder the Company's ability to raise additional financing and its effect on the Company's ability to conduct future mineral exploration is unknown and will depend on, among other factors, the availability of contractors, travel or other restrictions, and the efficacy and timing of vaccinations.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Significant accounting policies and the applicable basis of measurement used in the preparation of these consolidated financial statements are described in Note 3.

These consolidated financial statements were authorized by the Board of Directors on April 21, 2021.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN (continued)

b) Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operations for the next 12 months and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has a working capital of $305,096 as at December 31, 2020 (December 31, 2019 - $335,221 deficit) and incurred a net loss and comprehensive loss for the year ended December 31, 2020 of $8,776 (2019 - $70,755).

The Company's consolidated working capital and cash balances improved during the year ended December 31, 2020 following a private placement financing for gross proceeds of $700,000, the disposal of its wholly-owned subsidiary and the derecognition of certain long-outstanding accounts payable and accrued liabilities. The Company's management believes that the $355,321 in cash as at December 31, 2020 is sufficient to pay the $53,067 in accounts payable and accrued liabilities then outstanding and for routine operations for the next 12 months, including payments required to maintain its mineral option. However, without any source of revenue, additional financing will be required in the longer-term.

If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and classification of the Company's assets and liabilities and such adjustments may be significant. The accompanying consolidated financial statements do not include any adjustments that might result if the Company is unable to continue as a going concern.

NOTE 3 – ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of measurement

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

b) Basis of consolidation

These consolidated financial statements include the financial results of all controlled entities from the date control commences until the date that control ceases. Between December 31, 2018 and December 31, 2020, the Company had one wholly-owned subsidiary, Cypress Hills Holdings Corp. ("CHHC"). On December 31, 2020, the Company sold its entire interest in CHHC. As such, these consolidated financial statements include the Company's accounts and those of CHHC until December 31, 2020.

All transactions between consolidated entities are eliminated in the consolidation of these consolidated financial statements.

NOTE 3 – ACCOUNTING POLICIES (continued)

c) Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss. The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
ii) those to be measured at amortized cost.

Financial assets

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

The Company has classified its financial assets as follows:

- Cash is measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Amounts receivable are measured at amortized cost using the effective interest rate method. Interest income, where material, is recorded in profit or loss.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company has not recognized any impairment losses on its amounts receivable.

Financial liabilities

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company's financial liabilities include accounts payable, accrued liabilities and shareholder loans, all of which are measured at amortized cost using the effective interest rate method. Interest expense, where material, is recorded in profit or loss.

The Company derecognizes a financial liability when the liability is extinguished by way of discharge, cancellation or expiry.

NOTE 3 – ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

Amounts paid for exploration and evaluation assets as well as on-going exploration expenditures are charged to operations as incurred. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black-Scholes option pricing model, for mineral property interests pursuant to the terms of the acquisition agreement. These assets include those acquired under an option agreement and such costs include both installment payments and required exploration expenditures.

After a property is determined by management to be commercially feasible, development expenditures on the property are capitalized. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, are recorded as recoveries at the time of receipt. Where recoveries exceed costs, such amounts are recognized in profit or loss.

e) Property, plant and equipment

Measurement

Property, plant and equipment are initially recognized at cost, which includes all costs directly associated with the development of oil and gas reserves where technical feasibility and commercial viability is determined. Such costs include drilling costs of development wells, tangible costs of facilities and infrastructure construction, costs of optimization and enhanced recovery projects, proved property acquisition costs, decommissioning costs, transfers from E&E assets and borrowing costs relating to qualifying assets.

Property, plant and equipment are subsequently carried at cost less accumulated depletion, depreciation, and any impairment. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amounts of assets sold and recognized in the statement of loss and comprehensive loss.

Depletion, depreciation and amortization

Property, plant and equipment, including related facilities, are depleted and depreciated using the unit-of-production method over the proved and probable reserves of the area. Where the Company intends to develop existing undeveloped or probable reserves, estimated future costs to develop these additional reserves are included in costs subject to depletion, which are then depleted over total proved and probable reserves. When the Company does not intend to develop existing undeveloped, proved reserves, the costs subject to depletion do not include future development costs, and the cost base is depleted over developed, proved reserves.

NOTE 3 – ACCOUNTING POLICIES (continued)

e) Property, plant and equipment (continued)

Impairment

If indicators exist that suggest that property, plant and equipment may be impaired, an impairment test is carried out in which the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell ("FVLCS") and value-in-use ("VIU"). For the purpose of the impairment test, items of property, plant and equipment are grouped together into the smallest group of assets (the "cash-generating unit" or "CGU"), which generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets.

VIU is determined by estimating the discounted future cash flows expected to be derived from continuing use of the assets. In determining FVLCS, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used which may use indicators such as valuation multiples to determine fair value.

Estimates of future cash flows used in the evaluation of impairment of assets are made using forecasts of commodity prices, market supply and demand, product margins and, in the case of property, plant and equipment, expected reserves volumes. The cash flows used in the impairment test are generally derived from the information contained in the reserve reports, which are prepared annually by independent qualified reserve evaluators and management's assumptions based on past experience.

Impairment losses are recognized in profit or loss in the period in which they occur. Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying value of the asset that would have been determined, net of depletion, depreciation and amortization, if no impairment loss had been recognized. Such reversal is recognized in profit or loss in the period such a reversal occurs.

As at December 31, 2019, throughout 2019 and until the disposal of CHHC, which held the Company's interests in oil and gas properties, on December 31, 2020, the Company reported the carrying value of its interests as $nil, reflecting a full impairment of their carrying values.

f) Decommissioning liabilities

The Company recognizes a decommissioning liability for abandoning exploration and evaluation assets and property, plant and equipment, related facilities, removal of equipment from leased acreage and for returning such land to its original condition, in the period a well or related asset is drilled, constructed or acquired. The decommissioning liability is estimated at the present value of the estimated expected future cash outflows, discounted using a risk–free interest rate. The discounted liability is initially capitalized as part of the carrying amount of the related property, plant and equipment and a corresponding liability is recognized.

NOTE 3 – ACCOUNTING POLICIES (continued)

f) Decommissioning liabilities (continued)

Subsequent to initial recognition, the liability is reviewed regularly by management, based upon current regulations, costs, technologies and industry standards, as well as for changes in the risk-free rate. The effects of changes resulting from revisions to the timing, discount rates or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related property, plant and equipment. The accretion of the liability is recorded as an expense and actual abandonment and reclamation expenditures are charged to the accumulated liability as incurred and liabilities related to properties disposed are removed.

The amount of the capitalized decommissioning liability is depleted and depreciated on the same basis as the other capitalized property, plant and equipment.

g) Share issue costs

Costs incurred to issue shares, which may include cash or equity-settled payments, are accounted for as a reduction in share capital.

h) Revenue recognition

Revenue from sales of oil, natural gas, natural gas liquids and all other products is recognized when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. This generally occurs when product is physically transferred into a pipe or when delivery is accepted by the customer. Recognized revenue is measured at the fair value of consideration received or receivable.

i) Taxation

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

NOTE 3 – ACCOUNTING POLICIES (continued)

j) Per share amounts

Basic loss or earnings per share is calculated by dividing loss or earnings attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss or earnings per share is determined by adjusting the loss or earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive. For the years ended December 31, 2020 and 2019, no dilutive stock options or share purchase warrants were outstanding.

k) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these consolidated financial statements.

Areas where management is required to make significant judgments or where measurements are uncertain are as follows:

i) Impairment of property, plant and equipment

Estimates

In situations where indicators of impairment are present for the Company's property, plant and equipment, estimates of recoverable amount must be determined. Recoverable amount is determined as the higher of the CGU's estimated value in use or the CGU's estimated fair value less costs to sell. VIU is based on the present value of the future cash flows expected to flow from the CGU to the entity and actual cash flows may vary. FVLCS is based on recent sales of comparable assets which may or may not be indicative of the CGU's fair value.

Judgments

Management uses judgment in determining whether or not indicators of impairment have been identified for its CGU's. The result of management's assessment could result in an impairment test not being performed when indicators did in fact exist, which could impact the valuation of the CGU's carrying value.

NOTE 3 – ACCOUNTING POLICIES (continued)

k) Critical accounting estimates and judgments (continued)

ii) Decommissioning liabilities

Estimates

The Company's provision for decommissioning liabilities requires management to estimate the timing and amount of cash flows required to reclaim its property, plant and equipment. These cash flows are based on management assumptions for oil and gas reserves and production, which determine the timing of reclamation expenditures, as well as expectations for the future costs and legal or constructive requirements for environmental reclamation.

Changes to either the timing or amount of the cash flows required for decommissioning, or to the discount rate used to record the present value of these cash flows, are considered prospectively. Such changes could increase or decrease the decommissioning liabilities reported by the Company, and will ultimately result in changes to the total expense for environmental reclamation.

iii) Taxation

Estimates

Deferred tax assets and liabilities are determined using the tax rates expected to be in effect at the time the assets are realized and liabilities settled. The actual tax rate in effect at that time may vary from the expected tax rates.

Judgments

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

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recovered.

(Expressed in Canadian Dollars)

NOTE 4 – DISPOSAL OF SUBSIDIARY

On December 31, 2020, the Company sold its entire holdings in CHHC for $1. Immediately prior to disposal, CHHC held net liabilities of $56,718, resulting in a $56,719 gain on disposal of subsidiary. The assets and liabilities disposed by way of the sale of CHHC were as follows:

	Carrying Value
	$
Cash	15,001
Accounts receivable	656
Accounts payable and accrued liabilities	(35,494)
Decommissioning liabilities	(36,881)
Net liabilities	(56,718)

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

On November 20, 2020, the Company entered into a property option agreement (the "Property Agreement") with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited which allows the Company to earn an undivided 80% interest in and to 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory (the "Property"), 100% of which is currently held by Strategic.

To exercise the option, the Company must make various cash payments to Strategic, totaling $155,000, issue 25,000 of its common shares to Strategic, and must incur aggregate exploration expenses of $2,600,000. In February 2021, the Company made the first two option requirements including a $15,000 cash payment and issuance of 25,000 common shares to Strategic. Following these items, the remaining payments and exploration expenditures to exercise the option, none of which have been fulfilled, are as follows:

Requirement	**Amount**	**Due Date**
	$	
Cash payment	20,000	On or before January 5, 2022
Cash payment	30,000	On or before January 5, 2023
Cash payment	40,000	On or before January 5, 2024
Cash payment	50,000	On or before January 5, 2025
Total remaining cash payments	*140,000*	
Exploration expenditure	200,000	On or before December 31, 2021
Exploration expenditure	600,000	On or before November 20, 2022
Exploration expenditure	800,000	On or before November 20, 2023
Exploration expenditure	1,000,000	On or before November 20, 2024
Total remaining exploration expenditures	*2,600,000*	

(Expressed in Canadian Dollars)

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT AND DECOMMISSIONING LIABILITIES

The Company held, through CHHC, partial working interests in producing and non-producing natural gas wells in the Penhold area of Alberta, Canada. As further discussed in Note 4, CHHC was sold on December 31, 2020, and the Company no longer has an interest in these sites. Prior to the sale of CHHC, the Company carried these assets at a $nil value following impairments recognized in prior periods as a result of low projected production values for the sites.

Related to its working interests in the gas wells, CHHC also recognized decommissioning liabilities for the abandonment of wells and reclamation of surrounding surface areas. On the sale of CHHC, the decommission liabilities held by CHHC were derecognized in the Company's consolidated financial statements, contributing to the gain on disposal of CHHC.

During the year ended December 31, 2019, the Company successfully surrendered one well interest for which its portion of expected decommissioning liabilities was $495, resulting in a $495 gain on derecognition. Additionally, the Company was invoiced $3,060 for decommissioning work performed by wellsite operators resulting in a reclassification of this amount from decommissioning liabilities to accounts payable and accrued liabilities.

A summary of changes to the carrying value of the Company's decommissioning liabilities is as follows:

	Carrying Value
	$
December 31, 2018	37,376
Derecognition of decommissioning liabilities	(495)
Revaluation of decommissioning liabilities	3,060
Transfer to accounts payable and accrued liabilities	(3,060)
December 31, 2019	36,881
Derecognized on sale of CHHC	(36,881)
December 31, 2020	**-**

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

During the year ended December 31, 2020, the Company derecognized accounts payable and accrued liabilities of $35,494 (2019 - $nil) held by CHHC on the sale of CHHC (Note 4). The gain of on this derecognition is included in the $56,719 gain on disposal of subsidiary recognized in the year ended December 31, 2020.

During the year ended December 31, 2020, the Company derecognized accounts payable and accrued liabilities of $22,868 (2019 - $nil) relating to accounts for which the statutory period of collection from the Company passed, resulting in an equal gain on derecognition of accounts payable and accrued liabilities for the year.

(Expressed in Canadian Dollars)

NOTE 8 – SHAREHOLDER LOANS

During the years ended December 31, 2020 and 2019, the Company received loans from Brian Bayley and Ted Fostey, two directors of the Company. The loans accrued interest at a rate of 2% per annum and were repaid in full during the year ended December 31, 2020 from the proceeds of the Private Placement discussed in Note 9. Changes to the carrying value of shareholder loans in the years ended December 31, 2020 and 2019 are as follows:

	Carrying Value
	$
Balance, December 31, 2018	95,729
Proceeds from shareholder loans	30,000
Interest on shareholder loans	2,341
Balance, December 31, 2019	128,070
Proceeds from shareholder loans	40,000
Interest on shareholder loans	2,183
Repayment of shareholder loans and accrued interest	(170,253)
Balance, December 31, 2020	**-**

NOTE 9 – SHAREHOLDERS' EQUITY (DEFICIENCY)

a) Share capital

i. Authorized: Unlimited common shares and preferred shares without par value.

ii. Issued and outstanding:

No preferred shares were issued and outstanding as at and during the years ended December 31, 2020 or 2019. Changes to the number of common shares issued and outstanding are as follows:

	Number of Common Shares	Carrying Value
		$
Balance, December 31, 2018 and 2019	9,961,965	1,681,949
Private placement of common shares	10,000,000	700,000
Share issuance costs	-	(14,026)
Balance, December 31, 2020	**19,961,965**	**2,367,923**

On August 11, 2020, the Company issued 10,000,000 common shares by way of a non-brokered private placement (the "Private Placement") at a price of $0.07 per share for gross proceeds of $700,000. The company incurred share issuance costs of $14,026 for legal services provided in connection with this placement.

b) Stock options

The Company is able to grant stock options for up to 10% of the issued and outstanding common shares of the Company. The options are exercisable for a period of up to five years from the date of grant, as determined by the Board of Directors, and the exercise price cannot be less than the last price on the TSX Venture Exchange immediately preceding the grant of the options. The Board of Directors determines the time at which any options may vest. No stock options were outstanding as at or during the years ended December 31, 2020, 2019 or 2018.

(Expressed in Canadian Dollars)

NOTE 10 – RELATED PARTY TRANSACTIONS

The Company is party to a corporate service agreement with Earlston Management Corp. (“Earlston”), a company related by virtue of providing management services to the Company and having certain officers and directors in common. Effective August 1, 2020 Earlston charges a monthly fee of $2,500 (previously $1,500) for corporate, accounting and administrative services. For the year ended December 31, 2020, the expense for corporate and administrative services includes $17,602 (2019 - $18,000) of such costs, and as at December 31, 2020, $3,680 (December 31, 2019 - $80,134) was owing to Earlston and is included in accounts payable and accrued liabilities.

Accounts payable as at December 31, 2020 includes $nil (December 31, 2019 - $4,378) owing to Ted Fostey, a director of the Company and its CEO, for general and administrative expenses paid by him on behalf of the Company.

During the years ended December 31, 2020 and 2019, the Company received and repaid loans from certain directors of the Company. These loans are described further in Note 8.

NOTE 11 – TAXATION

For the year ended December 31, 2020, the Company’s effective tax rate was 24.0% (2019 – 26.5%) and a reconciliation of income taxes at statutory rates with the reported taxes is as follows:

For the years ended December 31,	**2020**	2019
	$	$
Loss before income taxes	**(8,776)**	(70,755)
Expected income tax (recovery)	**(2,000)**	(19,000)
Change in statutory tax rates, foreign exchange rates and other	**(1,000)**	255,000
Permanent differences	**(12,000)**	-
Impact of sale of subsidiary	**27,000**	-
Share issuance cost	**(3,000)**	-
Adjustment to prior year’s provision versus statutory return	**(1,000)**	-
Change in unrecognized deductible temporary differences	**(8,000)**	(236,000)
Total income tax recovery	**-**	-

In May 2019, the Alberta Government proposed changes to the general corporate income tax rate to decrease the rate from 12% to 8% starting July 1, 2019 and onwards. This change in tax rate was substantively enacted in May 2019.

(Expressed in Canadian Dollars)

NOTE 11 – TAXATION (continued)

Deferred tax assets as at December 31, 2020 and 2019 have been calculated using a combined federal and provincial substantively-enacted tax rate of 23% and include the following items which are not reported on the consolidated statement of financial position:

As at December 31,	**2020**	2019
	$	$
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	**137,000**	146,000
Property and equipment	**1,000**	-
Share issuance costs	**3,000**	-
Decommissioning liabilities	**-**	9,000
Allowable capital losses	**569,000**	569,000
Non-capital losses available for future periods	**748,000**	742,000
Total potential deferred tax assets	**1,458,000**	1,466,000
Unrecognized deferred tax assets	**(1,458,000)**	(1,466,000)
Net deferred tax assets	**-**	-

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:

As at December 31,	**2020**	**Expiry Date Range**	2019	Expiry Date Range
	$		$	
Temporary Differences				
Exploration and evaluation assets	**595,000**	**No expiry date**	636,000	No expiry date
Property and equipment	**1,000**	**No expiry date**	-	N/A
Share issuance costs	**11,000**	**2041 to 2044**	-	N/A
Decommissioning liabilities	**-**	**N/A**	37,000	No expiry date
Allowable capital losses	**2,475,500**	**No expiry date**	2,475,000	No expiry date
Non-capital losses available for future periods	**3,253,000**	**2027 to 2040**	3,228,000	2027 to 2039

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

NOTE 12 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2020, the Company's financial instruments comprise cash, accounts receivable and accounts payable and accrued liabilities. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

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

As at December 31, 2020, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at December 31, 2020, the Company had a cash balance of $355,321 is sufficient to pay current liabilities of $53,067, as well as option payments and expenditures for the Property (Note 5) and on-going working capital requirements for the next 12 months. However, additional capital will be required in the longer term.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

NOTE 13 – CAPITAL STRUCTURE

The Company's objectives in managing capital are to safeguard its ability to operate as a going concern while pursuing opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders' deficiency and amounts due to shareholders. The Company manages its capital structure and makes adjustments to it in the light of changes to its financial position as well as broader economic conditions. The Company is not subject to any externally imposed capital requirements and its Board of Directors does not establish a quantitative return on capital criteria for management.

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