

Cartier Iron Corporation

Condensed Interim Financial Statements

September 30, 2020

(expressed in Canadian dollars)

(unaudited)

Management's Comments on Unaudited Condensed Interim Financial Statements

These unaudited condensed interim financial statements of Cartier Iron Corporation (the "Company") have been prepared by management and approved by the Board of Directors of the Company.

These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

Cartier Iron Corporation

Statements of Financial Position

(expressed in Canadian dollars)
(unaudited)

	Notes	As at September 30, 2020 \$	As at December 31, 2019 \$
Assets			
Current			
Cash		873,647	19,614
Receivables	4	43,514	15,854
Due from Eloro Resources Ltd.	5	-	65,804
Prepaid expenses		107,815	33,008
		<u>1,024,977</u>	<u>134,280</u>
Investment in associate	6	349,800	430,272
Right-of-use asset	7	52,907	84,653
Exploration and evaluation	8	1,143,356	978,410
		<u>2,571,039</u>	<u>1,627,615</u>
Liabilities			
Current			
Accounts payable and accrued liabilities	15	557,714	710,053
Due to a related party	9	57,000	25,000
Current portion of lease liabilities	10	42,914	42,276
Unrenounced flow-through share premium		53,590	91,734
		<u>711,218</u>	<u>869,063</u>
Canada Emergency Business Account loan	11	40,000	-
Lease liabilities	10	12,777	44,884
		<u>763,995</u>	<u>913,947</u>
Shareholders' equity			
Share capital	12	10,455,157	10,107,371
Contributed surplus	12	42,999	196,149
Warrants	12	1,578,000	371,000
Deficit		(10,269,111)	(9,960,851)
		<u>1,807,044</u>	<u>713,669</u>
		<u>2,571,039</u>	<u>1,627,615</u>
Going concern	2		
Commitments	16		

Approved by the Board:

Thomas G. Larsen
Director

Francis Sauve
Director

Cartier Iron Corporation

Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

(unaudited)

	Notes	3 months ended September 30,		9 months ended September 30,	
		2020 \$	2019 \$	2020 \$	2019 \$
Expenses					
Professional fees		7,140	17,288	21,581	26,176
Consulting fees	15	78,000	78,000	234,000	242,100
Financing bonus		38,850	-	38,850	-
General and administrative		44,028	61,168	134,923	129,821
Investor relations		355	(5,868)	24,415	14,089
Travel		-	12,743	-	12,743
Interest		942	1,561	3,298	5,126
Depreciation	7	10,582	10,582	31,746	31,746
Gain on sale of marketable securities		-	6,161	-	(1,872)
Gain on sale of investment in associate	6	(12,361)	-	(185,422)	-
Decrease in fair value of marketable securities		-	(3,216)	-	5,775
Impairment of exploration and evaluation		-	-	560	13,623
Gain on settlement of accounts payable		-	(36,254)	-	(36,254)
Other recoveries		(5,875)	-	(17,102)	(8,162)
Part XII.6 tax		1,143	-	4,027	-
		<u>162,804</u>	<u>142,165</u>	<u>290,875</u>	<u>434,912</u>
Loss before loss on investment of an associate		(162,804)	(142,165)	(290,875)	(434,912)
Dilution gain on change in interest in associate	6	(2,592)	-	23,593	13,261
Share of loss of an associate	6	(12,453)	(12,494)	(79,122)	(46,050)
Loss before income taxes		<u>(177,850)</u>	<u>(154,660)</u>	<u>(346,404)</u>	<u>(467,702)</u>
Deferred income tax recovery		22,607	-	38,144	-
Loss and comprehensive loss		<u>(155,243)</u>	<u>(154,660)</u>	<u>(308,260)</u>	<u>(467,702)</u>
Loss per common share-basic and diluted		<u>(0.003)</u>	<u>(0.002)</u>	<u>(0.005)</u>	<u>(0.008)</u>
Weighted average number of common shares- basic and diluted		66,225,438	65,535,221	65,766,973	60,869,012

Cartier Iron Corporation

Statements of Changes in Equity

(expressed in Canadian dollars)

(unaudited)

	Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
Balance, December 31, 2019	10,107,371	196,149	371,000	(9,960,851)	713,669
Private placement of units	1,295,000	-	-	-	1,295,000
Fair value of warrants issued	(1,172,000)	-	1,172,000	-	-
Fair value of finder warrants issued	(35,000)	-	35,000	-	-
Share issue costs	(38,364)	-	-	-	(38,364)
Exercise of stock options	130,000	-	-	-	130,000
Fair value of exercised stock options	91,541	(91,541)	-	-	-
Fair value of expired stock options	61,609	(61,609)	-	-	-
Option payment	15,000	-	-	-	15,000
Loss for the period	-	-	-	(308,260)	(308,260)
Balance, September 30, 2020	10,455,157	42,999	1,578,000	(10,269,111)	1,807,045
Balance, December 31, 2018	9,201,955	256,000	624,000	(9,334,343)	747,612
Private placement of units	325,000	-	-	-	325,000
Private placement of flow-through units	400,000	-	-	-	400,000
Fair value of warrants issued	(78,000)	-	78,000	-	-
Fair value of broker warrants issued	(4,000)	-	4,000	-	-
Flow-through unit premium	(40,000)	-	-	-	(40,000)
Fair value of expired warrants	320,000	-	(320,000)	-	-
Share issue costs	(33,830)	-	-	-	(33,830)
Loss	-	-	-	(467,702)	(467,702)
Balance, September 30, 2019	10,091,125	256,000	386,000	(9,802,044)	931,080

Cartier Iron Corporation

Statements of Cash Flows

(expressed in Canadian dollars)

(unaudited)

	9 months ended September 30,	
	2020	2019
	\$	\$
Cash provided by (used in)		
Operating activities		
Loss	(308,260)	(467,702)
Items not affecting cash		
Depreciation	31,746	31,746
Gain on sale of investment in associate	(185,422)	5,775
Gain on sale of marketable securities	-	(1,872)
Increase in fair value of marketable securities	-	13,623
Impairment of exploration and evaluation	560	-
Dilution gain on change in interest in associate	(23,593)	(13,261)
Share of loss of an associate	79,122	46,050
Deferred income tax recovery	(38,144)	-
Changes in non-cash working capital		
Receivables	(27,660)	58,363
Prepaid expenses	(74,807)	7,973
Accounts payable and accrued liabilities	(152,339)	94,922
	<u>(698,797)</u>	<u>(224,381)</u>
Financing activities		
Advances from Eloro Resources Ltd.	-	(274,580)
Advance from a related party	32,000	-
Canada Emergency Business Account loan	40,000	-
Repayment of lease liabilities	(31,469)	(29,641)
Private placement of units	1,295,000	325,000
Private placement of flow-through units	-	400,000
Share issue costs	(38,364)	(33,830)
Exercise of stock options	130,000	-
	<u>1,427,167</u>	<u>386,949</u>
Investing activities		
Proceeds on sale of marketable securities	-	21,262
Purchase of marketable securities	-	(665)
Junior Exploration Assistance grant	-	58,839
Purchase investment in associate	(110,905)	(55,977)
Proceeds on sale of investment in associate	321,270	-
Repayment of advances to Eloro	65,804	-
Exploration and evaluation	(150,506)	(87,656)
	<u>125,663</u>	<u>(64,197)</u>
Net increase in cash	854,034	98,371
Cash, beginning of period	19,614	18,489
Cash, end of period	<u>873,648</u>	<u>116,860</u>
Non-cash transactions		
Common shares issued for option payment for exploration and evaluation	15,000	-
Supplementary information		
Interest paid	3,298	-
Income taxes paid	-	-

Cartier Iron Corporation

Notes to Condensed Interim Financial Statements

September 30, 2020

(expressed in Canadian dollars)
(unaudited)

1. Nature of operations

Cartier Iron Corporation (the "Company") is a public company engaged in the acquisition, exploration and development of mineral resource properties. The Company is incorporated under the laws of Ontario and its registered office is located at 20 Adelaide Street East, Suite 200, Toronto, Ontario, M5C 2T6.

2. Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company is in the exploration stage and does not generate revenue. For the 9 months ended September 30, 2020, the Company recorded a loss of \$290,875 (2019 - \$434,912) and incurred a cashflow deficit from operations of \$698,497 (2019 - \$224,381). The losses and cashflow deficit from operations limit the Company's ability to fund its operations and the acquisition, exploration and development of mineral resource properties.

The continued operation of the Company is dependent upon the support of the Company's creditors and the Company's ability to secure equity financing and advances from related parties to meet its existing obligations and finance the acquisition, exploration and development of mineral resource properties. The Company is actively seeking to raise the necessary equity financing, however, there can be no assurance that additional equity financing will be available.

The outbreak of the novel strain of coronavirus, specifically identified as COVID-19, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

These uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. Such adjustments could be material.

3. Basis of presentation

Statement of compliance

These interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board.

The accounting policies used in these interim condensed financial statements are consistent with those disclosed in the Company's audited financial statements for the year ended December 31, 2019.

These interim condensed financial statements do not include certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2019.

These interim condensed financial statements were approved and authorized for issue by the Board of Directors on November 30, 2020.

4. Receivables

The Company files a Québec Corporation Income Tax Return claiming a refundable tax credit on eligible exploration expenditures incurred in Québec (“Refundable Tax Credits”) and a Québec Mining Duties Return claiming a credit on duties refundable for losses (“Credit on Duties”). It is the Company’s policy to record an estimate of amounts to be received for unassessed claims for Refundable Tax Credits and Credits on Duties as a receivable and a reduction to exploration and evaluation assets when there is reasonable assurance that the Company has complied with all conditions needed to obtain the credits. The amounts of the unassessed claims are subject to audit by Revenu Québec and Ressources naturelles de la Faune Québec.

	In respect returns filed for years ended December 31,			
	2018	2017	2016	2015
		\$	\$	\$
Refundable Tax Credits				
As filed	–	166,069	22,476	251,079
As assessed	–	–	–	251,079
Received	–	–	–	(251,079)
Included in receivables at September 30, 2020	–	–	–	–
Credit on Duties				
As filed	–	34,162	4,641	71,699
As assessed	–	–	–	–
Received during the period	–	–	–	–
Included in receivables at September 30, 2020	–	–	–	–

Notices of assessment

On November 8, 2018, the Company received notices of assessments from Revenu Québec for the repayment of \$135,750 (“Notices”) for the return of refunds of \$79,754 and \$34,818 received by the Company for the refundable tax credit on eligible exploration expenditures incurred in Québec in respect of 2014 and 2015, respectively and interest thereon of \$21,178.

The Company has filed notices of objection with respect to the Notices and it is not yet possible for the Company to make any realistic prediction about the outcome of the Notices. Accordingly, no amount has been recorded as a liability in these consolidated financial statements.

5. Due from Eloro Resources Ltd. (“Eloro”)

The amount due from Eloro is unsecured, non-interest bearing and payable on demand. Three directors of the Company are directors of Eloro.

6. Investment in associate

As at September 30, 2020, the Company held 2,090,000 Eloro common shares (December 31, 2019 - 3,000,000) with a fair value of \$2,926,000 (December 31, 2019 - \$650,900), representing 4.38% (December 31, 2019 - 7.76%) of the outstanding Eloro common shares. The Company continues to account for its investment in Eloro as an investment in associate. Although the Company holds less than 20% of the voting rights of Eloro, the Company continues have significant influence in Eloro as three directors (2019 - three directors) of the Company are also directors of Eloro.

	Number of Eloro common shares held	\$
Balance at December 31, 2019	3,000,000	430,272
Purchases	87,500	110,905
Dispositions	(997,500)	(135,828)
Dilution gain	–	23,593
Share of loss	–	(79,122)
Balance at September 30, 2020	2,090,000	349,820

The following is a summary of the consolidated statement of position of Eoro and a reconciliation to carrying amounts as at September 30, 2020:

	\$
Assets	
Cash	1,013,207
Other current assets	244,807
	1,258,014
Right-of-use assets	53,294
Exploration and evaluation	5,733,637
	7,044,945
Liabilities and shareholders' equity	
Current liabilities	448,787
Lease liabilities	11,474
Shareholders' equity	6,584,685
	7,044,945

Reconciliation to carrying amount:

Share percentage ownership of Eoro	4.36%
	\$
Company's share of net assets of Eoro	307,160
Difference between the Company's share of net assets of Eoro and carrying value	(42,660)
Carrying value of investment in Eoro	349,820

The following is a summary of the consolidated statement of loss of Eoro for the 3 months ended September 30, 2020:

	\$
Expenses	
General and administrative	441,513
Stock-based compensation	356,000
Depreciation	21,318
Foreign exchange loss	17,553
Interest	2,042
Financing fee	30,000
Loss on sales of marketable securities	(5,805)
Unrealized gain on marketable securities	(21,100)
Impairment of exploration and evaluation	528
	842,049
Loss	(842,049)
Other comprehensive loss	(25,465)
Comprehensive loss	(867,514)

7. Right-of-use assets

	September 30, 2020	December 31, 2019
	\$	\$
Right-of-use assets	126,981	126,981
Accumulated depreciation	(74,074)	(42,328)
	52,907	84,653

8. Exploration and evaluation

	December 31, 2019 \$	Acquisition Costs \$	Exploration expenditures \$	Impairment \$	September 30, 2020 \$
Property					
Gagnon	–	–	560	(560)	–
Big Easy	978,410	15,000	149,946	–	1,143,356
	978,410	15,000	150,506	(560)	1,143,356

Gagnon, Quebec

The Company owns a 55% interest in Round Lake (formerly known as Penguin Lake, Black Dan and Aubrey-Ernie) and Jeannine, consisting of 126 claims covering 66.73 square kilometres in the Fermont Iron Ore District in the Labrador Trough in northeastern Québec (“Gagnon”).

A joint venture was formed between the Company and Champion to incur additional exploration expenditures. If a joint venture partner does not fund its proportionate interest in the joint venture, its interest will be diluted and, when its interest is reduced below 10%, its interest would be reduced solely to a 1% royalty. The other joint venture partner will have the option to reduce the royalty from 1% to 0.5% by making a payment of \$3,000,000.

In the event that a joint venture partner proposes to acquire any property within 10 kilometres of Gagnon, the acquirer must offer the property at cost to the other party for inclusion in Gagnon.

As at September 30, 2020, facts and circumstances suggested that the carrying amount of Gagnon may exceed its recoverable amount. As required by International Financial Reporting Standard 6, *Exploration for and Evaluation of Mineral Resources* (“IFRS 6”), the Company assessed Gagnon for impairment. The Company concluded that there were a number of indicators of impairment, and accordingly, recorded an impairment of exploration and evaluation of \$Nil (2019 - \$3,294).

The Company has incurred the following cumulative exploration and evaluation expenditures on Gagnon:

	\$
Balance, December 31, 2019	3,896,172
Exploration expenditures	560
Balance, September 30, 2020	3,896,732

As at September 30, 2020, Champion held 14,644,971 common shares of the Company (December 31, 2019 - 14,644,971), representing 22.35% of the outstanding common shares of the Company (December 31, 2019 -22.35%). Pursuant to a standstill agreement, Champion may not sell or transfer more than 2,000,000 common shares during any 30-day period.

Big Easy, Newfoundland and Labrador

The Company owns a 100% interest in Big Easy consisting of 507 mining claims (December 31, 2019 - 507) covering 127 square kilometres (December 31, 2019 - 127) located in Newfoundland and Labrador. Subsequent to September 30, 2020, the Company staked an additional 256 claims.

On May 1, 2020, the Company and the vendors of the Big Easy amended the terms of the definitive agreement. Pursuant to the amendment, in order to complete the acquisition of Big Easy, the Company must issue common shares and incur exploration expenditures, as follows:

	Common shares Number	Fair value	Exploration expenditures \$
Upon signing of definitive agreement (issued)	500,000	12,500	–
November 21, 2018 (issued and incurred)	500,000	56,000	500,000
May 15, 2020 (issued)	500,000	15,000	–
September 6, 2021	500,000	–	500,000
September 6, 2022	500,000	–	500,000
September 6, 2023	–	–	500,000
	2,500,000	83,500	2,000,000

Upon completion of the acquisition, the Company agreed to issue 100,000 common shares as a finder's fee, of which, 50,000 common shares with a fair value of \$4,500 have been issued and 50,000 common shares will be issued.

In the event that the Company does not issue common shares or incur exploration expenditures, the definitive agreement will terminate and the Company will transfer the mining licences and claims to the vendor.

In the event that the Company wishes to sell any or all of the property prior to November 21, 2020, the Company must obtain the permission of the vendor.

With respect to the common shares issued or to be issued to the vendor:

- a) the vendor will not grant a security interest in the common shares;
- b) the vendor has the right to sell tranches of less than 300,000 common shares;
- c) until November 21, 2021, the Company has a right of first refusal in the event that the vendor receives a third party offer to acquire any tranche of more than 300,000 common shares; and
- d) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote against any resolution put before the shareholders of the Company upon the recommendation of the Board of Directors
- e) until November 21, 2021, the vendor shall not vote or encourage anyone else to vote in favour of:
 - (i) the election of board nominees that have not been proposed by the then Board of Directors, or
 - (ii) any shareholder resolution or proposal unless the Board of Directors recommends voting in favour of such shareholder resolution or proposal.

Big Easy is subject to a 3% net smelter royalty ("NSR"). The Company has options to reduce the NSR by:

- a) 0.25% by making a payment of \$250,000 by November 21, 2021; and
- b) a further 0.25% by making a payment of \$250,000 by November 21, 2022.

9. Due to related party

The amount due to a related party, advanced by a director and officer, is unsecured, non-interest bearing and has no fixed terms of repayment.

10. Lease liabilities

	\$
Balance, December 31, 2019	87,160
Accretion of interest	3,298
Lease payments	(34,767)
Balance, September 30, 2020	55,961
Current portion of lease liabilities	44,217
Long-term lease liabilities	11,474
	55,961

The lease for premises is a joint and several commitment with Eloro. The remaining lease term is 1.25 years.

11. Canada Emergency Business Account loan

The Government of Canada announced that it will be providing the Canada Emergency Business Account ("CEBA") to support Canadian businesses that have been adversely affected by COVID-19. On April 20, 2020, the Company received a \$40,000 CEBA term loan. The term loan is government guaranteed, interest-free until December 31, 2022, and if not repaid by December 31, 2022, it will be extended for an additional 3-year term bearing interest at the rate of 5%. The term loan can be repaid at any time without penalty, and if, \$30,000 is repaid by December 31, 2022, the remaining \$10,000 will be forgiven.

12. Share capital

Authorized

An unlimited number of common shares.

An unlimited number of Class A preferred shares 5% voting, redeemable, convertible, non-cumulative dividend, which are redeemable at \$0.10 per share and convertible on the basis of one common share for each Class A preferred share.

Issued

	Number of common shares	\$
Balance, December 31, 2019	65,535,221	10,092,371
Option payment	500,000	15,000
Private placement of units	18,500,000	1,295,000
Fair value of warrants issued	–	(1,172,000)
Fair value of finder warrants issued	–	(33,000)
Share issue costs	–	(38,364)
Exercise of stock options	1,300,000	130,000
Fair value of exercised stock options	–	91,541
Fair value of expired stock options	–	61,609
Balance, September 30, 2020	85,835,221	10,457,157

Private placement of units

On September 10, 2020, the Company completed the first tranche of a private placement which consisted of 7,142,858 units at a price of \$0.07 per unit for proceeds of \$500,000. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for \$0.10 until September 10, 2023. In connection with the private placement, the Company paid a finder's fee of \$30,000 and issued 428,571 finder's warrants with the same terms as the unit warrants.

On September 17, 2020, the Company completed the second tranche of a private placement which consisted of 11,357,142 units at a price of \$0.07 per unit for proceeds of \$795,000. Each unit consisted of one common share and one warrant entitling the holder to purchase one common share for \$0.10 until September 17, 2023. In connection with the private placement, the Company paid a finder's fee of \$8,364 and issued 119,490 finder's warrants with the same terms as the unit warrants. Directors and officers acquired 2,793,000 units.

The fair value of the warrants was calculated using the Black-Scholes option pricing model with the following inputs and assumptions:

	Unit warrants	Finder's warrants	Unit warrants	Finder's warrants
Issue date	September 10, 2020	September 10, 2020	September 17, 2020	September 17, 2020
Expiry date	September 10, 2023	September 10, 2023	September 17, 2023	September 17, 2023
Warrants issued	7,142,858	428,571	11,357,142	119,490
Exercise price	\$0.100	\$0.100	\$0.100	\$0.100
Share price	\$0.095	\$0.095	\$0.090	\$0.090
Risk-free interest rate	0.27%	0.27%	0.27%	0.27%
Expected volatility based on historical volatility	120%	120%	120%	120%
Expected life of warrants	3 years	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%	0%
Forfeiture rate	0%	0%	0%	0%
Fair value	\$471,000	\$28,000	\$701,000	\$7,000
Fair value per warrant	\$0.07	\$0.07	\$0.07	\$0.07

Stock options

The Company may grant options to its directors, officers, employees and consultants for up to 10% of the number of common shares outstanding. Options granted vest immediately and the maximum term of each option is 5 years. The exercise price shall not be less than the closing price of the common shares on a stock exchange in Canada on the last trading day immediately preceding the date of the grant, less any discount permissible under the rules of the principal stock exchange on which the common shares are listed for trading. In the event that the common shares are not listed for trading on any stock exchange, the exercise price shall be the fair market value as determined by the Board of Directors. As at September 30, 2020, there were 8,583,522 stock options (December 31, 2019 - 6,553,522) authorized to be issued under the stock option plan, of which, 200,000 stock options (December 31, 2019 - 2,375,000) were outstanding.

A summary of the Company's stock options is presented below:

	Weighted- average exercise price	Number of stock options outstanding and exercisable
Balance, December 31, 2019	0.10	2,375,000
Exercised	0.10	(1,300,000)
Expired	0.10	(875,000)
Balance, September 30, 2020	0.10	200,000

A summary of the Company's outstanding stock options is presented below:

Exercise price	Expiry date	Number of stock options
\$0.15	April 10, 2023	200,000

Warrants

A continuity of the Company's warrants is presented below:

	Weighted- average exercise price \$	Number of warrants
Balance, December 31, 2019	0.13	11,217,625
Expired	0.13	(7,000,000)
Issued	0.10	19,048,061
Balance, September 30, 2020	0.13	23,265,686

A summary of the Company's outstanding warrants is presented below:

Exercise price	Expiry date	Number of warrants
\$0.12	December 7, 2020	2,126,625
\$0.15	December 7, 2020	2,091,000
\$0.10	September 10, 2023	7,571,429
\$0.10	September 17, 2023	11,476,632
		23,265,686

The weighted average remaining contractual life of the outstanding warrants is 2.5 years.

13. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash, accounts payable and accrued liabilities and due to a related party

The fair values of cash, accounts payable and accrued liabilities and due to a related party at September 30, 2020 approximated their respective carrying value due to their short term to maturity.

Classification of fair value of financial instruments

The Company classified the fair value of its financial instruments measured at fair value according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1: quoted prices in active markets for identical assets and liabilities;
- Level 2: inputs, other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data

14. Financial risk management

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities, including credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is equal to the Company's cash and due from Eoro. The Company limits its exposure to credit risk on its cash by holding deposits with high credit quality Canadian chartered bank.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that are settled in cash or other financial assets. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as they come due, other than amounts owing to related parties. The continued operation of the Company is dependent upon the Company's ability to secure equity financing to meet its existing obligations and finance the acquisition, exploration and development of oil and properties. Accounts payable and accrued liabilities are subject to normal trade terms.

The following table sets out financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

	Accounts payable and accrued liabilities	Due to a related party	Lease liability	Canada Emergency Business Account loan	Total
	\$	\$	\$		\$
Less than 1 year	557,714	57,000	42,914	–	657,628
1-5 years	–	–	12,777	40,000	52,777
More than 5 years	–	–	–	–	–
Balance, September 30, 2020	557,714	57,000	55,691	40,000	710,405

Market risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates, and interest rates will affect the Company's income or the value of its financial instruments.

Equity price risk

Equity price risk arises from the Company's marketable securities. The Company's approach to managing equity price risk is to optimize the return from its marketable securities within acceptable parameters for equity price risk. At September 30, 2020, the Company owned shares of Eoro (note 6).

Currency risk

Currency risk arises from the Company's financial instruments and purchases that are denominated in a currency other than the Canadian dollar, the Company's functional currency. As all of the Company's purchases are in Canadian dollars, the Company limits its exposure to currency risk by maintaining its cash in Canadian dollars.

Interest rate risk

The Company's exposure to interest rate risk is limited due to the short-term nature of its financial instruments.

Capital management

Capital of the Company consists of share capital, contributed surplus, warrants and deficit. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can acquire, explore and develop mineral resource properties for the benefit of its shareholders. The Company manages its capital structure and makes adjustments based on the funds available to the Company in light of changes in economic conditions. The Board of Directors has not established quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the Company. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that consider various factors, including successful capital deployment and general industry conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As the Company is an exploration stage company and has no revenues, its principal source of capital is from the issuance of common shares or advances from related parties. In order to achieve its objectives, the Company intends to raise additional funds as required.

The Company is not subject to externally imposed capital requirements and there were no changes to the Company's approach to capital management during the year.

15. Related party transactions

Compensation of key management personnel

The Company considers its directors and officers to be key management personnel. Transactions with key management personnel are set out as follows:

	9 months ended September 30,	September 30,	September 30,	Outstanding at
	2020	2019	2020	December 31,
	\$	\$		2019
				\$
Consulting fees	234,000	234,000	331,204	454,477
Financing bonus	38,850	–	38,850	–
	<u>272,850</u>	<u>234,000</u>	<u>370,054</u>	<u>454,477</u>

Additional related party transactions are disclosed in notes 5, 6, and 9. These transactions were in the normal course of business.

16. Commitment

Flow-through expenditures

Pursuant to a flow-through financing completed on June 7, 2019, the Company is committed to make eligible Canadian Exploration Expenditures of \$183,802 by December 31, 2021, (extended from December 31, 2020) in recognition of the potential delays in making expenditures that could occur as a result of COVID-19.