



(Formerly Auramex Resources Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
AUX Resources Corporation (formerly Auramex Resource Corp.)

Opinion

We have audited the accompanying consolidated financial statements of AUX Resources Corporation (formerly Auramex 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, cash flows, and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

March 18, 2021

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Consolidated Statements of Financial Position

As at December 31, 2020 and 2019

(Stated in Canadian dollars)

	Note	December 31, 2020	December 31, 2019 (restated, Note 5)	January 1, 2019 (restated, Note 5)
ASSETS				
Current				
Cash and cash equivalents	6	\$ 1,244,254	\$ 56,634	\$ 370,453
Receivables	7	150,194	19,039	14,033
Prepaid expenses		245,677	111,914	6,878
		<u>1,640,125</u>	<u>187,587</u>	<u>391,364</u>
Deposits	8	48,000	-	-
Mineral properties	8	5,827,221	332,087	294,510
		<u>\$ 7,515,346</u>	<u>\$ 519,674</u>	<u>685,874</u>
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities		\$ 114,586	\$ 430,642	\$ 69,163
Flow through premium liability	9b	89,023	-	7,730
		<u>203,609</u>	<u>430,642</u>	<u>76,893</u>
Shareholders' Equity				
Share capital	9	25,352,923	15,301,386	14,671,796
Subscription receipts		-	-	70,000
Equity reserves	9	2,126,803	1,365,270	1,218,228
Deficit		(20,167,989)	(16,577,624)	(15,351,043)
		<u>7,311,737</u>	<u>89,032</u>	<u>608,981</u>
		<u>\$ 7,515,346</u>	<u>\$ 519,674</u>	<u>\$ 685,874</u>
Nature of operations and going concern	1			
Subsequent events	10,14			

Approved for issue by the Board of Directors on March 18, 2021.

Signed on the Company's behalf by:

"Bradley Rourke"
Bradley Rourke, Director

"Ian Slater"
Ian Slater, Director

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

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

	<i>Note</i>	December 31, 2020	December 31, 2019 <i>(restated, Note 5)</i>
Expenses			
Exploration	<i>8, 10</i>	\$ 2,652,229	\$ 681,623
General and administrative		102,047	68,861
Management and consulting fees	<i>10</i>	235,788	193,267
Marketing		290,701	110,227
Professional fees		103,999	49,497
Share-based compensation	<i>9, 10</i>	842,466	147,042
		(4,227,230)	(1,250,517)
Interest income		219	351
Recovery of flow-through premium	<i>9b</i>	636,647	7,730
Other income		-	18,000
Tax payable on deferred flow-through expenses		-	(2,146)
Loss and comprehensive loss for the year		\$ (3,590,364)	\$ (1,226,582)
Loss per share – basic and diluted		\$ (0.15)	\$ (0.12)
Weighted average number of shares outstanding – basic and diluted		23,919,689	10,009,059

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

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

	December 31, 2020	December 31, 2019 <i>(restated, Note 5)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (3,590,364)	\$ (1,226,582)
Items not involving cash:		
Recovery of flow-through premium	(636,647)	(7,730)
Share-based compensation	842,466	147,042
Changes in non-cash working capital items:		
Receivables	(131,155)	(5,006)
Prepaid expenses	(133,763)	(105,036)
Accounts payable and accrued liabilities	(358,120)	361,478
	<u>(4,007,583)</u>	<u>(835,834)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits	(48,000)	-
Option payments received	35,300	23,175
Acquisition of mineral properties	(216,371)	(30,000)
	<u>(229,071)</u>	<u>(6,825)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash, net share issue costs	5,275,199	511,840
Shares issued on exercise of stock options	85,550	-
Shares issued on exercise of warrants	63,525	17,000
	<u>5,424,274</u>	<u>528,840</u>
Change in cash and cash equivalents during the year	1,187,620	(313,819)
Cash and cash equivalents, beginning of the year	56,634	370,453
Cash and cash equivalents, end of the year	\$ 1,244,254	\$ 56,634
Supplemental disclosure of cash flow information		
Shares issued under property agreements	\$ 97,000	\$ 30,750
Shares issued for acquisition of Isla Gold Corp.	5,175,000	-
Units issued as finders' fees	61,200	-
Subscription receipts reclassified to share capital	-	70,000
Mineral properties included in accounts payable and accrued liabilities	20,000	-

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

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Consolidated Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

	Number of Shares	Amount	Subscription Receipts	Equity Reserves	Deficit	Total Equity
Balance as at December 31, 2018 (restated, Note 5)	8,933,730	\$ 14,671,796	\$ 70,000	\$ 1,218,228	\$ (15,351,043)	\$ 608,981
Shares issued pursuant to private placements	2,356,000	589,000	(70,000)	-	-	519,000
Shares issued pursuant to property option agreements	115,000	30,750	-	-	-	30,750
Share issuance costs	-	(7,160)	-	-	-	(7,160)
Shares issued pursuant to warrant exercises	66,000	17,000	-	-	-	17,000
Share-based payments	-	-	-	147,042	-	147,042
Loss and comprehensive loss for the year (restated, Note 3)	-	-	-	-	(1,226,582)	(1,226,582)
Balance as at December 31, 2019 (restated, Note 5)	11,470,730	\$ 15,301,386	\$ -	\$ 1,365,270	\$ (16,577,625)	\$ 89,031
Shares issued pursuant to private placements	18,936,723	5,459,851	-	-	-	5,459,851
Shares issued pursuant to finders' fees	244,800	61,200	-	-	-	61,200
Shares issued pursuant to property option agreements	11,775,000	5,272,000	-	-	-	5,272,000
Share issuance costs	-	(245,852)	-	-	-	(245,852)
Shares issued pursuant to warrant exercises	181,500	63,525	-	-	-	63,525
Shares issued pursuant to stock option exercises	306,000	85,550	-	-	-	85,550
Transfer of fair value of options exercised	-	80,933	-	(80,933)	-	-
Flow-through tax liability recognized	-	(725,670)	-	-	-	(725,670)
Share-based payments	-	-	-	842,466	-	842,466
Loss and comprehensive loss for the year	-	-	-	-	(3,590,364)	(3,590,364)
Balance as at December 31, 2020	42,914,753	\$ 25,352,923	\$ -	\$ 2,126,803	\$ (20,167,989)	\$ 7,311,737

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

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

AUX Resources Corporation (“AUX” or the “Company”), formerly Auramex Resources Corporation, is a Canadian company incorporated in the province of British Columbia which trades on the TSX Venture Exchange (“TSXV”). The Company is currently active in the acquisition, exploration, and evaluation of mineral properties.

The address of the Company’s registered and corporate office is 905 – 1111 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2J3.

On June 30, 2020, the Company completed a 5:1 stock consolidation. All share quantities and share prices in these financial statements are stated based on their post-consolidation values, unless otherwise specified.

The Company is in the process of exploring its mineral properties and has not yet determined whether the reserves of its properties are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and future profitable production or proceeds from the disposition thereof.

The Company’s consolidated financial statements are prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenue from operations and will require additional financing or outside participation to undertake further exploration and subsequent development of its mineral properties. Future operations of the Company are dependent upon its ability to raise additional equity financing and the attainment of profitable operations. These material uncertainties may cast a significant doubt on the Company’s ability to continue as a going concern.

COVID-19 (the coronavirus) has threatened a slowdown in the global economy as well as caused volatility in the global financial markets. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States, and other countries to contain and treat the virus. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, these conditions could have a significant adverse impact on the Company’s financial position and results of operations for future periods.

On September 11, 2020, the Company completed the acquisition of the Independence and Silver Crown Projects in northern British Columbia (Note 8).

	December 31, 2020	December 31, 2019
Working capital surplus / (deficiency)	\$ 1,436,516	\$ (243,055)
Deficit	(20,167,989)	(16,577,624)

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and are in accordance with interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of December 31, 2020.

b) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis, except for certain financial instruments that are measured at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Functional and presentation currency

The presentation currency of the Company is the Canadian dollar.

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”), which has been determined for the Company using an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The functional currency of the AUX Resources Corporation, the parent company, and its Canadian subsidiary, Isla Gold Corp. (“Isla”), is the Canadian dollar.

d) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

i) Critical Accounting Estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based compensation and valuation of warrants

The fair value pricing of stock options and warrants issued are subject to the limitations of the Black-Scholes Option-Pricing Model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes Option-Pricing Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Deferred tax assets and liabilities

The estimation of income taxes includes evaluating the recoverability of deferred tax assets and liabilities based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some, or all, of the deferred income tax assets or liabilities will not be realized. However, the ultimate realization of deferred tax assets and liabilities is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development, and commercialization of mineral reserves.

To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets and liabilities, and deferred income tax provisions or recoveries could be affected.

ii) Critical Accounting Judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Going concern presentation

Management has determined that the going concern presentation of the consolidated financial statements, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due as discussed in Note 1, is appropriate.

Non-monetary transactions

All non-monetary transactions are measured at the fair value of the asset surrendered or the asset received, whichever is more reliable, unless the transactions lack commercial substance, or the fair value cannot be reliably established. The commercial substance requirement is met when the future cash flows are expected to change significantly due to the transaction.

When the fair value of a non-monetary transaction cannot be reliably measured, it is recorded at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up and adjusted by the fair value of any monetary consideration received or given. When the asset received or the consideration given up is shares in an actively traded market, the market value of those shares will be considered fair value.

Acquisition of a business or assets

The determination of whether a corporate entity or set of assets acquired, and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. The acquisition of Isla Gold Corp (Independence and Silver Crown Projects) was determined to constitute an acquisition of assets (Note 8). The excess of consideration paid over the monetary assets was attributed to the two mineral properties allocated on an equal basis based on management's determination of the relative importance of the properties to the Company.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

2. BASIS OF PREPARATION (continued)

Carrying value and recoverability of mineral properties

The carrying amount of the Company's mineral properties does not necessarily represent present or future values, and the Company's mineral properties have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development, and upon future profitable proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental, and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral properties.

Determination of cash generating units ("CGU's")

The determination of the cash generating units ("CGU's") to which mineral properties and their related costs are allocated for the purposes of assessing impairment, and the related estimation of the future events that could result in impairment are inherently subject to uncertainty. The estimated recoverable amount could be impacted by changes in these judgments in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee, and has the ability to use its power over the investee to affect its returns. Intercompany balances and transactions, and any income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

The Company acquired all of the shares of its subsidiary, Isla Gold Corp. ("Isla"), on September 11, 2020 (Note 8) for a 100% ownership interest. Isla was incorporated in the province of British Columbia, Canada and its principal activity is mineral exploration.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for the Company as Canadian dollars.

Transactions in currencies other than the Canadian dollar are recorded at the exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral properties

The Company will capitalize all direct costs related to the acquisition of a mineral property interest upon acquiring the legal right to explore the property. Expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be transferred to property, plant and equipment and amortized on the unit-of-production method based on estimated proven and profitable reserves. When there is little prospect of further work on a property, the remaining deferred costs associated with the property will be assessed for impairment.

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 profit or loss as incurred. The Company will perform an impairment test on the transition from exploration and evaluation stage to the development stage.

The Company assesses mineral properties for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration, rehabilitation, and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations associated with the retirement of mineral interests (mineral properties) when those obligations result from the acquisition, construction development, or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of the related asset is capitalized to the related asset along with the corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates, and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to a related asset with a corresponding entry to the rehabilitation provision. The Company's estimates are revised annually for changes in regulatory requirements, discount rates, effects of inflation, and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

As at December 31, 2020 and 2019, there are no significant rehabilitation obligations.

Impairment

At the end of each reporting period, the Company's long-term assets are reviewed to determine whether there is any indication that those assets may be impaired. If 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 cost to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arms' length transaction between knowledgeable and willing parties.

When assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset 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 profit or loss for the year. For an asset that does not generate largely independent cash inflow, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

Financial assets are classified at initial recognition as fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”), or amortized cost. The classification depends on the Company’s business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (“OCI”).

- FVTPL – Financial assets carried at FVTPL are initially recorded at fair value, and transaction costs are expensed in profit or loss as incurred. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.
- FVOCI – Investments in equity instruments at FVOCI are initially recognized at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following derecognition of the investment.
- Amortized cost – A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset to collect contractual cash flows and the asset’s contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment (using the effective interest method).
- Embedded derivatives – The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. Embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Impairment of financial assets

A loss allowance for expected credit losses is recognized in OCI for financial assets measured at amortized cost. At each statement of financial position date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date), or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities, including accounts payable and accrued liabilities are recognized initially at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in profit or loss.

Derecognition of financial assets and liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired, the Company has transferred its rights to receive cash flows from the asset, or the Company has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired, nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset. If the Company does not control the asset, then derecognition is appropriate.

A financial liability is derecognized when the associated obligation is discharged, cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or a financial asset. The Company's common shares, share warrants, and options are classified as equity instruments.

Warrants

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit"), and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares of the Company. The fair values of the components of units sold are measured using the residual value approach. The carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds are less than or equal to the estimated fair market value of the shares issue, a nil carrying amount is assigned to the warrants. Where warrants are issued as compensation, they are recorded as share-based compensation.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

The Company will, from time to time, issue flow-through common shares and units to finance a significant portion of its exploration program. Pursuant to the terms of flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability, and the premium is recognized as a recovery of flow-through premium.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property expenditures within a period of up to two years.

Share issuance costs

Costs directly identifiable with the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs are presented as other assets until the issuance of the shares to which the costs relate, at which time the costs are charged against the related share capital or charged to profit or loss if the shares are not issued.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees, and consultants of the Company. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options granted is measured at the grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option-Pricing Model, taking into consideration the terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Basic and diluted loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. Potential issuable common shares are not included in the calculation if their inclusion would be anti-dilutive. The calculation assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income 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 year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recorded by providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes, and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provide is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

Related party transactions

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

New standards, interpretations, and amendments issued but not yet adopted

There are no IFRS that are not yet effective that would be expected to have a material impact on the Company.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: FVTPL, FVOCI, amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	December 31, 2020	December 31, 2019
Cash and cash equivalents	FVTPL	\$ 1,244,254	\$ 56,634
Receivables	Amortized cost	150,194	19,039
Deposits	Amortized cost	48,000	-
Accounts payable and accrued liabilities	Amortized cost	(114,586)	(430,642)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value, and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arms' length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, and pricing models.

The recorded amounts for receivables, deposits, and accounts payable and accrued liabilities approximate their fair value due to their short-term nature or ability of prompt liquidation. Cash and cash equivalents are recorded at fair value and are calculated under the fair value hierarchy and measured using Level 1 inputs. The Company did not have Level 2 or Level 3 financial instruments as at December 31, 2020 or December 31, 2019.

Risk Management

The Company's risk exposures and the impact to the Company's financial statements are summarized as follows:

Liquidity Risk

Liquidity risk is the risk that a company cannot meet its short-term debt obligations. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2020, the Company has cash and cash equivalents of \$1,244,254 to settle current liabilities of \$203,609. The Company is exposed to liquidity risk, which has been mitigated through the raise of an additional \$2,517,500 in cash subsequent to December 31, 2020 (Note 14).

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. Cash and cash equivalents are held with highly rated major Canadian financial institutions and Management believes the risk of loss to be remote. The Company has no significant concentration of credit risk arising from operations. Receivables consist of input tax credits receivable from the Government of Canada. The Company does not believe it is subject to significant credit risk in relation to its receivables.

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 commodity and equity prices.

a) Interest rate risk

The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. The Company periodically monitors the investments made and is satisfied with the credit ratings of its banks. As at December 31, 2020, the Company had \$20,000 invested in investment-grade short-term deposit certificates (December 31, 2019 – \$nil), accounted for as cash equivalents (Note 6).

b) Foreign currency risk

The Company's exposure to foreign currency risk or fluctuations related to amounts denominated in US dollars is minimal.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact to the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

5. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2020, the Company changed its accounting policy related to exploration and evaluation costs. Previously, the Company capitalized its exploration and evaluation costs on an individual prospect basis until such time as an economic ore body was defined or the prospect was abandoned. The Company will continue to capitalize all direct costs related to the acquisition of a mineral property interest upon acquiring the legal right to explore the property; however, exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development will be charged to operations as incurred.

The change in policy has been made due to a change in the business model of the Company following a change in management during the year ended December 31, 2020 and is considered to more appropriately disclose the operations of the Company.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

5. CHANGE IN ACCOUNTING POLICY (continued)

The impact of the change in policy has been applied retrospectively in these consolidated financial statements and the summary of the impact of these changes is disclosed below:

Summary of Impact on the Prior Year Statement of Financial Position

As at December 31, 2019	As reported	Adjustments	As restated
Mineral properties	\$ 3,212,499	\$ (2,880,412)	\$ 332,087
Total Assets	\$ 3,400,086	(2,880,412)	\$ 519,674
Deficit	\$ (13,697,212)	\$ (2,880,412)	\$ (16,577,624)
Total Equity	\$ 2,969,444	\$ (2,880,412)	\$ 89,032
Total Liabilities and Shareholders' Equity	\$ 3,400,086	\$ (2,880,412)	\$ 519,674

As at January 1, 2019	As reported	Adjustments	As restated
Mineral properties	\$ 2,493,300	\$ (2,198,790)	\$ 294,510
Total Assets	\$ 2,884,664	(2,198,790)	\$ 685,874
Deficit	\$ (13,152,253)	\$ (2,198,790)	\$ (15,351,043)
Total Equity	\$ 2,807,771	\$ (2,198,790)	\$ 608,981
Total Liabilities and Shareholders' Equity	\$ 2,884,664	\$ (2,198,790)	\$ 685,874

Summary of Impact on the Prior Year Statement of Loss and Comprehensive Loss

Year ended December 31, 2019	As reported	Adjustments	As restated
Expenses			
Exploration expenditures	\$ -	\$ 681,623	\$ 681,623
Loss and comprehensive loss for the year	\$ (544,959)	\$ (681,623)	\$ (1,226,582)
Loss per share – basic and diluted	\$ (0.05)	\$ (0.07)	\$ (0.12)
Weighted average number of shares outstanding – basic and diluted	10,009,059	-	10,009,059

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

5. CHANGE IN ACCOUNTING POLICY (continued)Summary of Impact on Prior Year Statement of Cash Flows

Year ended December 31, 2019	As reported		Adjustments		As restated	
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss for the year	\$	(544,959)	\$	(681,623)	\$	(1,226,582)
Total cash used in operating activities	\$	(473,402)	\$	(362,432)	\$	(835,834)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of mineral properties	\$	(420,676)	\$	390,676	\$	(30,000)
Recovery of mineral properties		28,244		(28,244)		-
Total cash used in investing activities	\$	(369,257)	\$	362,432	\$	(6,825)

Summary of Impact on the Prior Year Statement of Changes in Equity

	Deficit			Total Equity		
	As reported	Adjustment	As restated	As reported	Adjustment	As restated
Balance as at Jan 1, 2019	\$ (13,152,253)	\$ (2,198,790)	\$ (15,351,043)	\$ 2,807,771	\$ (2,198,790)	\$ 608,981
Loss and comprehensive loss for the year	(544,959)	(681,623)	(1,226,582)	(544,959)	(681,623)	(1,226,582)
Balance as at Dec 31, 2019	\$ (13,697,212)	\$ (2,880,412)	\$ (16,577,625)	\$ 2,969,444	\$ (2,880,412)	\$ 89,032

Summary of Impact on Income Tax Disclosures

A reconciliation of the Company's income taxes at statutory rates with the reported taxes:

Year ended December 31, 2019	As reported		Adjustments		As restated	
Loss for the year before income taxes	\$	(544,959)	\$	(681,623)	\$	(1,226,582)
Expected income tax recovery		(147,000)		(184,000)		(331,000)
Expiry of non-capital losses		-		(594,000)		(594,000)
Change in unrecognized deductible temporary differences		47,000		778,000		825,000
Total income tax (recovery) expense	\$	-	\$	-	\$	-

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

5. CHANGE IN ACCOUNTING POLICY (continued)

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position:

Year ended December 31, 2019	As reported	Adjustments	As restated
Deferred tax assets			
Mineral properties	\$ 752,000	\$ 778,000	\$ 1,530,000
	1,952,000	778,000	2,730,000
Unrecognized deferred tax assets	(1,952,000)	(778,000)	(2,730,000)
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 statement of financial position:

Year ended Dec 31, 2019	As reported		Adjustments		As restated	
	Value	Expiry Date Range	Value	Expiry Date Range	Value	Expiry Date Range
Temporary differences						
Mineral properties	\$ 2,701,000	No expiry date	\$ 2,881,000	N/A	\$ 5,582,000	No expiry date

6. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash	\$ 1,224,254	\$ 56,634
Cash equivalents	20,000	-
Total cash and cash equivalents	\$ 1,244,254	\$ 56,634

7. RECEIVABLES

	December 31, 2020	December 31, 2019
Trade receivables (Note 10)	\$ 4,172	\$ 4,172
Goods and services taxes receivable	146,022	14,867
Total receivables	\$ 150,194	\$ 19,039

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

8. MINERAL PROPERTIES

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
Acquisition costs								
Balance, Dec 31, 2019	\$ 13,825	\$ 154,919	\$ 118,854	\$ -	\$ 33,500	\$ -	\$ 10,987	\$ 332,085
Additions	106,000	39,165	2,647	2,677,312	28,000	2,677,312	-	5,530,436
Option payments received	(15,300)	(20,000)	-	-	-	-	-	(35,300)
Balance, Dec 31, 2020	\$ 104,525	\$ 174,084	\$ 121,501	\$ 2,677,312	\$ 61,500	\$ 2,677,312	\$ 10,987	\$ 5,827,221

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
Acquisition costs								
Balance, Dec 31, 2018	\$ -	\$ 150,169	\$ 118,854	\$ -	\$ 14,500	\$ -	\$ 10,987	\$ 294,510
Additions	27,000	27,925	-	-	19,000	-	-	73,925
Option payments received	(13,175)	(23,175)	-	-	-	-	-	(36,350)
Balance, Dec 31, 2019	\$ 13,825	\$ 154,919	\$ 118,854	\$ -	\$ 33,500	\$ -	\$ 10,987	\$ 332,085

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. All of the Company's mineral property interests are located near Stewart, British Columbia, Canada. The properties have been acquired under various option and purchase agreements and by staking. Certain claims are subject to a net smelter returns ("NSR") royalty ranging from 1% - 2.5%.

The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing.

During the year ended December 31, 2020, the Company paid \$48,000 in reclamation bonds to the British Columbia Ministry of Energy, Mines and Petroleum Resources for certain of its properties, which have been recorded as long-term deposits (December 31, 2019 - \$nil).

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

8. MINERAL PROPERTIES *(continued)*

American Creek Project

Champion South (formerly known as Silver Crown)

On March 15, 2019, the Company entered into an option to acquire the Champion South property (formerly known as the Silver Crown property), located in the Stewart Camp of British Columbia's Golden Triangle. To complete the option, the Company must:

- a) Make cash payments to the vendor as follows:
 - i) \$10,000 on execution of the agreement on March 15, 2019 (*paid*);
 - ii) \$15,000 on or before March 15, 2020 (*paid*);
 - iii) \$20,000 on or before March 15, 2021 (*paid subsequent to year end*);
 - iv) \$25,000 on or before March 15, 2022 (*paid subsequent to year end*); and
 - v) \$50,000 on or before March 15, 2023 (*paid subsequent to year end*).
- b) Issue shares of the Company to the vendor as follows:
 - i) 20,000 shares on execution of the agreement on March 15, 2019 (*issued, valued at \$6,000*);
 - ii) 20,000 shares on or before March 15, 2020 (*issued, valued at \$3,000*);
 - iii) 20,000 shares on or before March 15, 2021 (*issued subsequent to year end*);
 - iv) 20,000 shares on or before March 15, 2022 (*issued subsequent to year end*); and
 - v) 20,000 shares on or before March 15, 2023 (*issued subsequent to year end*).

The vendors will retain a 2% NSR, one half of which can be purchased for \$1,000,000 with a minimum advance annual royalty of \$50,000 to begin after seven years.

On March 17, 2019, the Company entered into an option agreement to allow Mountain Boy Minerals Ltd. ("MBM") the right to earn a 100% interest in a portion of the Champion South property. The Company and MBM will receive pre-determined portions of the property upon exercise of the underlying option agreement. In return, MBM has agreed to fund a *pro rata* portion of the underlying agreement, as determined by the relative areas of the properties to be received by each company.

During the year ended December 31, 2020, the Company received \$15,300 in cash payments from MBM in respect of the agreement (December 31, 2019 – \$13,175).

Confluence

On October 22, 2020, the Company entered into an agreement to purchase 100% of the Confluence mineral claim tenure, located in the Stewart Camp of British Columbia's Golden Triangle for \$1,000 cash.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

8. MINERAL PROPERTIES (continued)

Dorothy 2

On March 1, 2019, the Company entered into an option agreement to acquire the Dorothy 2 property, located in the Stewart Camp of British Columbia's Golden Triangle. To complete the option, the Company must:

- a) Make cash payments to the vendor as follows:
 - i) \$5,000 on execution of the agreement on March 1, 2019 (*paid*);
 - ii) \$10,000 on or before March 1, 2020 (*paid*);
 - iii) \$10,000 on or before March 1, 2021 (*paid*);
 - iv) \$10,000 on or before March 1, 2022 (*paid*)⁽¹⁾; and
 - v) \$10,000 on or before March 1, 2023 (*paid*)⁽¹⁾.
- b) Issue shares of the Company to the vendor as follows:
 - i) 20,000 shares on execution of the agreement on March 1, 2019 (*issued, valued at \$6,000*);
 - ii) 20,000 shares on or before March 1, 2020 (*issued, valued at \$7,000*);
 - iii) 20,000 shares on or before March 1, 2021 (*issued, valued at \$8,000*);
 - iv) 20,000 shares on or before March 1, 2022 (*issued, valued at \$8,000*); and
 - v) 60,000 shares on or before March 1, 2023 (*issued, valued at \$24,000*).

⁽¹⁾ The Company has remitted payment to the vendor for these amounts; however, these amounts remain in accounts payable as payment has not yet been accepted by the vendor.

The vendors will retain a 2.5% NSR, one half of which can be purchased for \$1,000,000 until 90 days after the start of commercial production. The Company is required to keep the property in good standing and carry out \$150,000 of work over 4 years.

Independence Project and Silver Crown Project

On September 11, 2020, the Company completed the acquisition of Isla Gold Corporation ("Isla"), which included acquisition of the options to acquire 100% interest in the Independence and Silver Crown Projects in northern British Columbia. Consideration of 11,500,000 common shares of the Company at \$0.45/share for a fair value of \$5,175,000 were issued for all of the issued and outstanding shares of Isla. Transaction costs of \$42,559 associated with the acquisition were recorded. The acquisition was accounted for as an asset acquisition with the net purchase price paid being allocated to the assets acquired and liabilities assumed as follows:

Cash	\$	85,000
Accounts payable		(22,065)
Mineral Properties (Independence Project)		2,577,312
Mineral Properties (Silver Crown Project)		2,577,312
	\$	<u>5,217,559</u>

The excess of consideration paid over the monetary assets was attributed to the two mineral properties allocated on an equal basis based on management's determination of the relative importance of the properties to the Company.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

8. MINERAL PROPERTIES *(continued)*

Independence Project and Silver Crown Project *(continued)*

As a result of the acquisition of Isla, the Company acquired the options to the Independence and Silver Crown projects. To complete the option, the Company must:

- a) Make cash payments to the vendor as follows:
 - i) \$200,000 on closing of the AUX financing on July 6, 2020 *(paid)*;
 - ii) \$50,000 on or before July 6, 2021;
 - iii) \$50,000 on or before July 6, 2022;
 - iv) \$75,000 on or before July 6, 2023;
 - v) \$125,000 on or before July 6, 2024; and
 - vi) \$150,000 on or before the July 6, 2025.
- b) Issue shares of the Company to the vendor as follows:
 - i) 3,000,000 shares within 5 days of execution of the agreement *(issued by Isla prior to acquisition)*;
 - ii) 250,000 shares on or before July 6, 2021;
 - iii) 250,000 shares on or before July 6, 2022;
 - iv) 500,000 shares on or before July 6, 2023;
 - v) 1,000,000 shares on or before July 6, 2024; and
 - vi) 3,000,000 shares on or before the July 6, 2025.

The vendors will retain a 1.8% NSR, 0.8% of which can be purchased for \$1,500,000 until 90 days after the start of commercial production.

Bear Pass Project

Surprise Creek

On September 7, 2017, the Company granted an option to Decade to earn a 60% interest in certain mineral claims within the Surprise Creek area of the Stewart Properties. In March 2020, Decade terminated the option agreement.

Bayview/Comet

On February 21, 2019, the Company acquired certain tenures covering the Bayview and Comet occurrences for consideration of 20,000 shares of the Company *(issued, valued at \$6,000)*.

The vendor retains a 1% NSR.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

8. MINERAL PROPERTIES *(continued)*

Bear Pass Project *(continued)*

Rufus

On February 5, 2019, the Company entered into an option to acquire 75% of the Rufus property, located in the Stewart Camp of British Columbia's Golden Triangle. To complete the option, the Company must issue shares of the Company as follows:

- i) 35,000 shares on execution of the agreement on February 5, 2019 *(issued, valued at \$8,750)*;
- ii) 35,000 shares on or before February 5, 2020 *(issued, valued at \$7,000)*;
- iii) 35,000 shares on or before February 5, 2021 *(issued, valued at \$14,000)*; and
- iv) 45,000 shares on or before February 4, 2022 *(issued, valued at \$18,000)*.

The Company completed its purchase obligations on the option on July 24, 2020.

The vendors retain a 2% NSR, one half of which can be purchased for \$1,000,000 until 90 days after the start of commercial production.

West George Copper

On August 31, 2017, the Company entered into an option agreement allowing MBM to earn a 60% interest in certain mineral claims within the West George Copper area of the Stewart Properties. MBM exercised its option in the year ended December 31, 2020 by making \$30,000 in cash payments to the Company, providing \$700,000 in Portable Assessment Credits, incurring \$80,000 in exploration expenditures on the property, and granting the Company a 2% NSR of which 1% can be purchased by MBM for \$1,000,000.

Georgia Project

On April 10, 2017, the Company entered into an option agreement allowing Decade to earn a 75% interest in certain mineral claims within the Georgia River area of the Stewart Properties. The option agreement was terminated during the year ended December 31, 2019.

During the year ended December 31, 2020, the Company staked the Lydden property claim within the Georgia Project for cash costs of \$2,647.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

8. MINERAL PROPERTIES (continued)**Lower Bear Project**Bay Silver

On July 28, 2018, the Company entered into an option agreement to acquire the Bay Silver property, located in the Stewart Camp of British Columbia's Golden Triangle. To complete the option, the Company must:

- a) Make cash payments to the vendor as follows:
- i) \$10,000 on execution of the agreement on July 28, 2018 (*paid*);
 - ii) \$15,000 on or before July 28, 2019 (*paid*);
 - iii) \$20,000 on or before July 28, 2020 (*paid*);
 - iv) \$25,000 on or before July 28, 2021 (*paid subsequent to year end*); and
 - v) \$50,000 on or before July 28, 2022 (*paid subsequent to year end*).
- b) Issue shares of the Company to the vendor as follows:
- i) 20,000 shares on execution of the agreement on July 28, 2018 (*issued, valued at \$4,500*);
 - ii) 20,000 shares on or before July 28, 2019 (*issued, valued at \$4,000*);
 - iii) 20,000 shares on or before July 28, 2020 (*issued, valued at \$8,000*);
 - iv) 20,000 shares on or before July 28, 2021 (*issued subsequent to year end*); and
 - v) 20,000 shares on or before July 28, 2022 (*issued subsequent to year end*).

The vendors will retain a 2% NSR, one half of which can be purchased for \$1,000,000 with a minimum advance annual royalty of \$50,000 to begin after 7 years.

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures recorded in the statements of comprehensive loss for the years ended December 31, 2020 and 2019 are as follows:

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
Drilling	\$ -	\$ -	\$ 1,277,144	\$ -	\$ -	\$ -	\$ -	\$ 1,277,144
Geochemical and mapping	53,046	240	1,050,646	108,611	4,190	89,530	440	1,306,703
Technical and geological consulting	882	1,300	52,955	3,806	3,500	5,139	800	68,382
Balance, Dec 31, 2020	\$ 53,928	\$ 1,540	\$ 2,380,745	\$ 112,417	\$ 7,690	\$ 94,669	\$ 1,240	\$ 2,652,229

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

8. MINERAL PROPERTIES (continued)**Exploration and Evaluation Expenditures (continued)**

	American Creek	Bear Pass	Georgia	Indepen- dence	Lower Bear	Silver Crown	Tide North	Total
Geochemical and mapping	\$ 17,881	\$ 27,764	\$ 534,455	\$ -	\$ 31,667	\$ -	\$ 6,177	\$ 617,944
Technical and geological consulting	8,800	5,591	35,491	-	10,997	-	2,800	63,679
Balance, Dec 31, 2019	\$ 26,681	\$ 33,355	\$ 569,946	\$ -	\$ 42,664	\$ -	\$ 8,977	\$ 681,623

9. SHARE CAPITAL**a) Authorized**

An unlimited number of common shares without par value.

b) Share Issuance

At December 31, 2020, the Company had 42,914,753 common shares issued and outstanding (December 31, 2019 – 11,470,730).

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

- Issued 11,775,000 common shares in respect of property option agreements (including the acquisition of Isla) at prices ranging from \$0.15 - \$0.45, for which total consideration of \$5,272,000 has been recorded as property acquisition costs (Note 8);
- Issued 306,000 common shares in respect of the exercise of stock options at prices ranging from \$0.25 - \$0.30 for gross proceeds of \$85,550;
- Issued 181,500 common shares in respect of the exercise of share purchase warrants at \$0.35 per warrant for gross proceeds of \$63,525; and
- Closed a private placement consisting of 10,099,000 units at a price of \$0.25 per unit (the “NFT Unit Offering”), 4,783,667 flow through shares at a price of \$0.30 per flow through share (the “FT Offering”), and 4,054,056 flow through units at a price of \$0.37 per unit (the “Charity FT Unit Offering”) for gross aggregate proceeds of \$5,459,851. Each unit consists of one common share and one-half of one common share purchase warrant. Each full warrant is exercisable to acquire one common share at a price of \$0.40 per warrant share until July 6, 2022. Under the residual value approach, the Company recorded \$nil as the fair value of the warrants issued.

Cash share issuance costs of \$184,631 were paid in relation to the private placement, in addition to an issuance of 244,800 units with a fair value of \$61,200 to brokers, each unit consisting of one common share and one-half of one common share purchase warrant under the same terms as above.

The Company recorded a \$725,670 flow-through premium associated with the placement. As a result of exploration expenditures during the year ended December 31, 2020, the flow-through premium was reduced by \$636,647, resulting in a remaining flow through premium liability of \$89,023.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

9. SHARE CAPITAL (continued)

During the year ended December 31, 2019, the Company:

- Issued 115,000 common shares in respect of property option agreements at prices ranging from \$0.25 - \$0.30, for which deemed consideration of \$30,750 has been recorded as property acquisition costs (Note 7);
- Issued 66,000 common shares in respect of the exercise of share purchase warrants at prices ranging from \$0.25 - \$0.275 for gross proceeds of \$17,000;
- Closed a private placement consisting of 310,000 units at \$0.25 per unit for gross proceeds of \$77,500, of which \$70,000 was received prior to December 31, 2018. Each unit consists of one common share and one-half purchase warrant. Each full warrant is exercisable to acquire one common share at a price of \$0.50 per common share until January 29, 2020. Cash share issuance costs of \$1,779 were paid in relation to the private placement;
- Closed a private placement consisting of 1,526,000 units at \$0.25 per unit for gross proceeds of \$381,500. Each unit consists of one common share and one purchase warrant exercisable at a price of \$0.35 until February 22, 2021. Cash share issuance costs of \$4,350 were paid in relation to the private placement; and
- Closed a private placement consisting of 520,000 units at \$0.25 per unit for gross proceeds of \$130,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.35 until April 18, 2021. Cash share issuance costs of \$1,031 were paid in relation to the private placement.

c) Share Purchase Warrants

The Company's share purchase warrant activity for the year ended December 31, 2020 is as follows:

Number Outstanding Dec 31, 2019	Granted	Exercised	Expired/ Cancelled	Number Outstanding Dec 31, 2020	Exercise Price	Expiry Date	Weighted Average Remaining Life (in years)
1,541,000	-	-	(1,541,000)	-	\$0.50	February 16, 2020	-
155,000	-	-	(155,000)	-	\$0.50	January 29, 2020	-
1,526,000	-	(181,500)	-	1,344,500	\$0.35	February 22, 2021	0.15
520,000	-	-	-	520,000	\$0.50	April 18, 2021	0.30
-	7,198,928	-	-	7,198,928	\$0.40	July 6, 2022	1.51
3,742,000	7,198,928	(181,500)	(1,696,000)	9,063,428	\$0.39	<i>(weighted average)</i>	1.24

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

9. SHARE CAPITAL (continued)

The Company's share purchase warrant activity for the year ended December 31, 2019 is as follows:

Number Outstanding Dec 31, 2018	Granted	Exercised	Expired/ Cancelled	Number Outstanding Dec 31, 2019	Exercise Price	Expiry Date	Weighted Average Remaining Life (in years)
58,000	-	(46,000)	(12,000)	-	\$0.25	March 7, 2019	-
80,000	-	-	(80,000)	-	\$0.50	November 29, 2019	-
400,000	-	(20,000)	(380,000)	-	\$0.28	December 22, 2019	-
1,541,000	-	-	-	1,541,000	\$0.50	February 16, 2020	0.13
-	155,000	-	-	155,000	\$0.50	January 29, 2020	0.08
-	1,526,000	-	-	1,526,000	\$0.35	February 22, 2021	1.15
-	520,000	-	-	520,000	\$0.35	April 18, 2021	1.30
2,079,000	2,201,000	(66,000)	(472,000)	3,742,000	\$0.42	<i>(weighted average)</i>	0.70

d) Stock Options

The Company has a 10% rolling stock option plan. The Company's stock option plan provides for the grant of incentive stock options to employees, consultants, officers, and directors of the Company. Options are granted for a term of up to ten years from the date granted. Stock options vest over 12 months with no more than 25% of the options vesting in any three-month period.

The continuity for stock options for the year ended December 31, 2020 is as follows:

Number Outstanding Dec 31, 2019	Granted	Exercised	Expired/ Cancelled	Number Outstanding Dec 31, 2020	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
80,000	-	-	-	80,000	\$0.25	September 24, 2024	3.73
100,000	-	-	-	100,000	\$0.25	February 8, 2027	6.11
46,600	-	-	-	46,600	\$0.25	December 19, 2027	6.97
103,600	-	(50,000)	(40,000)	13,600	\$0.275	July 12, 2023	2.53
143,000	-	(100,000)	(10,000)	33,000	\$0.25	January 28, 2024	3.05
355,000	-	(156,000)	(18,000)	181,000	\$0.30	July 7, 2024	3.52
-	2,300,000	-	-	2,300,000	\$0.42	July 8, 2025	4.52
828,200	2,300,000	(306,000)	(68,000)	2,754,200	\$0.40	<i>(weighted average)</i>	4.50
			Exercisable	1,604,200	\$0.38	<i>(weighted average)</i>	2.87

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

9. SHARE CAPITAL (continued)

The continuity for stock options for the year ended December 31, 2019 is as follows:

Number Outstanding Dec 31, 2018	Granted	Exercised	Expired/ Cancelled	Number Outstanding Dec 31, 2019	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
280,000	-	-	(280,000)	-	\$0.50	April 6, 2019	-
30,000	-	-	(30,000)	-	\$0.25	July 23, 2019	-
80,000	-	-	-	80,000	\$0.25	September 24, 2024	4.74
100,000	-	-	-	100,000	\$0.25	February 8, 2027	7.11
83,200	-	-	(36,600)	46,600	\$0.25	December 19, 2027	7.97
103,600	-	-	-	103,600	\$0.275	July 12, 2023	3.53
-	156,400	-	(13,400)	143,000	\$0.25	January 28, 2024	4.08
-	385,000	-	(30,000)	355,000	\$0.30	July 7, 2024	4.52
676,800	541,400	-	(390,000)	828,200	\$0.25	(weighted average)	4.84
			Exercisable	828,200	\$0.25	(weighted average)	4.39

Share-Based Payments

The Company recognizes share-based payment expense for all stock options granted using the fair value based method of accounting. The fair value of stock options is determined by the Black-Scholes Option-Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's shares, forfeiture rate, and expected life of the options. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average term is the average expected period to exercise, based on historical activity. The expected volatility is based on the historical volatility of the Company.

During the year ended December 31, 2020, the Company recognized share-based payment expense of \$842,466 (December 31, 2019 – \$147,042) using the following weighted average assumptions:

	December 31, 2020	December 31, 2019
Share price	\$ 0.42	\$ 0.28
Risk-free interest rate	0.37%	1.60%
Expected life of options	5 years	5 years
Annualized volatility	194.2%	200.00%
Expected forfeitures	0%	0%
Dividend rate	0%	0%
Fair value per option	\$ 0.48	\$ 0.27

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

10. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with key management personnel, which includes Officers and Directors, for the years ended December 31, 2020 and 2019.

	December 31, 2020	December 31, 2019
Consulting fees ⁽¹⁾	\$ 358,346	\$ 417,908
Directors' fees	-	12,500
Share-based payments	549,434	120,871
Total receivables	\$ 907,780	\$ 551,277

⁽¹⁾\$234,100 is included in management and consulting fees, and \$124,246 is included in exploration expenditures.

As at December 31, 2020, an amount of \$289 (December 31, 2019 – \$240,626) was included in accounts payable and accrued liabilities for unpaid amounts relating to fees and expenses owed to officers and directors, and to companies controlled by them.

Mountain Boy Minerals Ltd. ("MBM") had a director in common with the Company who was a related party. The Company has performed exploration work and incurred expenses on behalf of MBM; the balance owing by MBM in respect of these expenditures as at December 31, 2020 was \$4,172 (December 31, 2019 – \$4,172), which was received by the Company subsequent to December 31, 2020. In addition, the Company has entered into various Mineral Property Option Agreements as described in Note 8.

11. SEGMENT INFORMATION

The Company has one reportable operating segment in Canada which operates in the acquisition, exploration, and evaluation of mineral resources. All of the Company's non-current assets are located in Canada.

12. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition, exploration, and evaluation of mineral resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers capital to be components of shareholders' equity.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were not changes in the Company's approach to capital management during the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

13. INCOME TAXES

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

	2020	2019 <i>(restated, Note 5)</i>
Loss for the year before income taxes	\$ (3,590,364)	\$ (1,226,582)
Expected income tax recovery	(969,000)	(331,000)
Change in statutory rates	-	(8,000)
Permanent difference(s)	56,000	38,000
Impact of flow-through shares	695,000	58,000
Share issue costs	(66,000)	(2,000)
Adjustment to prior year's provision versus statutory returns	20,000	14,000
Expiry of non-capital losses	-	(594,000)
Change in unrecognized deductible temporary differences	264,000	825,000
Total income tax (recovery) expense	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the statements of financial position are as follows:

	2020	2019 <i>(restated, Note 5)</i>
Deferred tax assets		
Mineral properties	\$ 1,523,000	\$ 1,530,000
Share issue costs	57,000	6,000
Allowable capital losses	157,000	160,000
Non-capital losses available for future periods	1,257,000	1,034,000
	2,994,000	2,730,000
Unrecognized deferred tax assets	(2,994,000)	(2,730,000)
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 statement of financial position are as follows:

	2020	Expiry Date Range	2019 <i>(restated, Note 5)</i>	Expiry Date Range
Temporary differences				
Mineral properties	\$ 5,555,000	No expiry date	\$ 5,582,000	No expiry date
Investment tax credit	31,000	2030 – 2033	31,000	2030 – 2033
Share issue costs	212,000	2037 – 2045	22,000	2037 – 2044
Allowable capital losses	583,000	No expiry date	592,000	No expiry date
Non-capital losses available for future periods	4,656,000	2026 – 2040	3,828,000	2026 – 2039

AUX RESOURCES CORPORATION (formerly Auramex Resources Corporation)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Stated in Canadian dollars)

13. INCOME TAXES *(continued)*

The Company raised \$2,935,101 of flow-through financing during the year ended December 31, 2020, \$2,575,033 of which was spent on eligible exploration expenditures during the year.

During the year ended December 31, 2019, the Company incurred the remaining \$217,940 of flow-through financing raised during the prior year, resulting in a recovery of flow-through premium of \$7,730.

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

14. SUBSEQUENT EVENTS

- On February 19, 2021, the Company closed a private placement consisting of 11,188,889 units at a price of \$0.225 per unit, for gross proceeds of \$2,517,500. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable to acquire one common share at a price of \$0.40 per warrant for a period of 24 months.

Cash share issuance costs of \$40,000 were paid in relation to the private placement, in addition to an issuance of 46,000 finders' units, each unit consisting of one common share and one common share purchase warrant under the same terms as above.

- On March 12, 2021, the Company paid the remaining \$95,000 in cash option payments owed and issued the remaining 60,000 common shares owed on the Champion South (formerly known as Silver Crown) property (Note 8). On the same date, the Company paid the remaining \$75,000 in cash option payments owed and issued the remaining 40,000 common shares owed on the Bay Silver property (Note 8). Consideration of \$24,000 has been recorded as property acquisition costs in respect of the common share issuance.