



(formerly Eurocontrol Technics Group Inc.)

**Consolidated Financial Statements**

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

(in Canadian dollars)

## Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Talisker Resources Ltd., ("Talisker" or the Company"), formerly Eurocontrol Technics Group Inc., are the responsibility of management and the Board of Directors of the Company.

The consolidated financial statements have been prepared by management in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") using accounting policies consistent with IFRSs appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*Signed: "Terence Harbort"*

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Terence Harbort  
Chief Executive Officer

*Signed: "Andres Tinajero"*

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Andres Tinajero  
Chief Financial Officer



## Independent auditor's report

To the Shareholders of Talisker Resources Ltd.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Talisker Resources Ltd. and its subsidiary (together, 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 as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

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. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Key audit matters

## How our audit addressed the key audit matters

### Assessment of impairment indicators of exploration and evaluation assets

*Refer to note 3(c) – Significant accounting policies – Exploration and evaluation assets and expenditures, note 3(i) – Significant accounting policies – Impairment of non-financial assets and note 9 – Exploration and evaluation assets to the consolidated financial statements.*

The net book value of exploration and evaluation assets amounted to \$24.5 million as at December 31, 2020. At each reporting period, management assesses exploration and evaluation assets (or cash generating unit (CGU)) to determine whether there are any indicators of impairment. If any such indicators exist, the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or the CGU exceeds its estimated recoverable amount. Management assesses exploration and evaluation assets for impairment based on the following indicators:

- i. the period for which the entity has the right to explore in the specific area has expired during the year or will expire in the near future,
- ii. substantive expenditure on further exploration for an evaluation of mineral resources in the specific area is neither budgeted nor planned,
- iii. sufficient data exists to determine that extracting the resources will not be technically feasible or commercially viable, and
- iv. facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

No impairment indicators were identified by management as at December 31, 2020.

Our approach to addressing the matter involved the following procedures, among others:

Assessed the judgment made by management in determining the impairment indicators which included the following:

- Obtained, for a sample of claims, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claim expiration dates.
- Read the Board of Directors' minutes and obtained budget approvals to evidence continued and planned exploration expenditure, which included evaluating results of management's work programs.
- Assessed whether extracting the resources will not be technically feasible or commercially viable, or if other facts and circumstances suggest that the carrying amount may exceed the recoverable amount, based on evidence obtained in other areas of the audit.



## Key audit matters

## How our audit addressed the key audit matters

We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments made by management in its assessment of indicators of impairment related to exploration and evaluation assets, and these have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

### Provision for site reclamation and closure at Bralorne Gold Project (Bralorne)

*Refer to note 3(l) – Significant accounting policies – Provisions and note 13 – Provision for site reclamation and closure to the consolidated financial statements.*

The Company's provision for site reclamation and closure at Bralorne amounted to \$14.6 million as at December 31, 2020. The provision is an estimate of the present value of estimated costs required to restore the Company's operating location based on the risk-free nominal discount rates that reflect current market assessments and the risks specific to the liability. The provision for site reclamation and closure and related assets are adjusted at the end of each reporting period for changes in the discount rates and in the estimated amount, timing and cost of the work to be carried out.

Management makes significant assumptions in determining the timing and extent of costs of the site reclamation and closure provision that has been prepared by third party experts, which include certain closure cost estimates, discount and inflation rates.

We considered this a key audit matter due to (i) the significance of the rehabilitation provisions, (ii) the significant judgment exercised by management in determining the provision for site reclamation and closure and (iii) the significant

Our approach to addressing the matter involved the following procedures, among others:

- Tested how management determined the provision for site reclamation and closure estimate at Bralorne, which included the following:
  - The work of management's experts was used in performing procedures to evaluate the reasonableness of management's assumptions on the timing, extent and cost of reclamation and other closure activities. As a basis for using this work, the management expert's competence, capability and objectivity were evaluated, their work performed was understood and the appropriateness of their work as audit evidence was evaluated by considering the relevance and reasonableness of the assumptions, methods and findings. The procedures performed also included tests of relevant data used by management's experts.
  - Tested the appropriateness of the model used by management.
  - Tested the underlying data used in management's model.
  - Evaluated the reasonableness of discount rate and inflation rate assumptions by



Key audit matters	How our audit addressed the key audit matters
audit effort and subjectivity in applying audit procedures to test significant assumptions used by management.	comparing them to independent data sources. – Tested mathematical accuracy of the site reclamation and closure provision.

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### Other information

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

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

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

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.

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### 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.



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## 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 25, 2021



**Talisker Resources Ltd.**

(formerly Eurocontrol Technics Group Inc.)

**Consolidated Statements of Financial Position****(Expressed in Canadian dollars)**

<b>As at,</b>	<b>Notes</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	\$ 24,974,407	\$ 9,702,490
Amounts receivable	7	345,767	305,077
Inventory		64,212	-
Prepaid expenses		438,196	141,789
<b>Total current assets</b>		<b>25,822,582</b>	<b>10,149,356</b>
Reclamation deposits	13	1,190,000	75,437
Long term receivable	7	319,181	-
Property, plant and equipment	8	4,055,238	2,796,475
Exploration and evaluation assets	9, 13	24,532,611	24,799,799
Investment in associate	10	4,508,688	-
<b>TOTAL ASSETS</b>		<b>\$ 60,428,300</b>	<b>\$ 37,821,067</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	11, 18	\$ 2,123,784	\$ 1,323,399
RSU Liability	17	8,619	-
Current portion of lease obligation	12	269,316	95,293
Current portion of equipment loans payable	12	-	127,279
<b>Total current liabilities</b>		<b>2,401,719</b>	<b>1,545,971</b>
Provision for site reclamation and closure	13	14,592,950	15,351,956
Lease payable	12	422,865	120,920
Flow through premium liability	15	5,480,000	494,000
<b>Total liabilities</b>		<b>22,897,534</b>	<b>17,512,847</b>
<b>Shareholders' equity</b>			
Issued capital	14	61,393,068	33,071,000
Share-based payment reserve	17	3,422,838	1,662,044
Warrant reserve	16	4,469,300	1,640,000
Accumulated deficit		(31,754,440)	(16,064,824)
<b>Total shareholders' equity</b>		<b>37,530,766</b>	<b>20,308,220</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 60,428,300</b>	<b>\$ 37,821,067</b>

Events after the reporting period (note 24)

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

# Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2020	2019
<b>Expenses</b>			
Exploration and evaluation expenditures		\$ 10,980,541	\$ 2,379,178
Mine care and maintenance costs		1,711,867	-
Consulting and wages	19	2,927,455	538,330
Administration		1,648,045	268,389
Share-based expense	17	1,239,421	1,448,000
Public company costs		953,497	269,720
Travel and other		225,811	105,556
Depreciation of property, plant and equipment	8	507,614	-
<b>Total expenses</b>		<b>20,194,251</b>	<b>5,009,173</b>
<b>Other income and expense</b>			
Finance expense (income)		(8,278)	(27,059)
Foreign currency translation (gain) loss		2,217	16,712
Realized (gain) on marketable securities	6	(90,580)	-
Loss on disposal of assets		4,422	-
Loss from investment in associate	10	45,000	-
Gain on sale of properties	10	(4,255,849)	-
Accretion on site reclamation and closure	13	336,868	16,198
		<b>(3,966,200)</b>	<b>5,851</b>
Loss before income taxes		<b>16,228,051</b>	<b>5,015,024</b>
Income tax recovery	15	(494,000)	-
<b>Net loss and comprehensive loss</b>		<b>\$ 15,734,051</b>	<b>\$ 5,015,024</b>
<b>Loss per share - basic and diluted</b>		<b>\$ 0.09</b>	<b>\$ 0.08</b>
<b>Weighted average common shares outstanding</b>		<b>181,008,970</b>	<b>63,498,639</b>

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

## Talisker Resources Ltd.

(formerly Eurocontrol Technics Group Inc.)

### Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Number of Shares	Issued Capital (Note 14)	Share-based Payment Reserve (Note 17)	Warrant Reserve (Note 16)	Retained earnings (deficit)	Total
Balance as at December 31, 2018	23,112,554	\$ 15,001,591	\$ 298,895	\$ -	\$(11,134,651)	\$ 4,165,835
Issue of shares pursuant to private placement, net of issue costs	60,129,742	9,340,209	-	737,000	-	10,077,209
Flow through premium liability	-	(494,000)	-	-	-	(494,000)
Issue of shares for acquisition of mineral properties	30,220,000	6,031,900	-	-	-	6,031,900
Shares and warrants issued on corporate acquisition	12,580,000	2,956,300	-	903,000	-	3,859,300
Shares issued as fees on corporate acquisition	1,000,000	235,000	-	-	-	235,000
Share-based expense - options	-	-	1,434,000	-	-	1,434,000
Share-based expense - RSU's	-	-	14,000	-	-	14,000
Expiry of stock options	-	-	(84,851)	-	84,851	-
Net loss for the year	-	-	-	-	(5,015,024)	(5,015,024)
Balance as at December 31, 2019	127,042,296	\$ 33,071,000	\$ 1,662,044	\$ 1,640,000	\$(16,064,824)	\$ 20,308,220
Issue of shares pursuant to private placement, net of issue costs	75,380,790	29,853,402	-	3,841,000	-	33,694,402
Flow through premium liability	-	(5,480,000)	-	-	-	(5,480,000)
Issue of shares for acquisition of mineral properties (Note 9)	2,675,000	846,125	-	-	-	846,125
Issue of shares for community relations	109,589	36,164	-	-	-	36,164
Exercise of warrants	7,985,174	3,034,561	-	(1,011,700)	-	2,022,861
Exercise of options	75,000	26,045	(8,000)	-	-	18,045
Exercise of RSU's	41,220	5,771	(5,771)	-	-	-
Share-based expense - options	-	-	1,819,000	-	-	1,819,000
Expiry of stock options	-	-	(44,435)	-	44,435	-
Net loss for the year	-	-	-	-	(15,734,051)	(15,734,051)
Balance as at December 31, 2020	213,309,069	\$ 61,393,068	\$ 3,422,838	\$ 4,469,300	\$(31,754,440)	\$ 37,530,766

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

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

**Talisker Resources Ltd.**  
(formerly Eurocontrol Technics Group Inc.)  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian dollars)

For the years ended December 31,	Notes	2020	2019
<b>Cash provided by (used in):</b>			
<b>Operating activities</b>			
Net loss for the year		\$ (15,734,051)	\$ (5,015,024)
Items not involving cash:			
Income tax recovery	15	(494,000)	-
Gain on sale of properties	10	(4,255,849)	-
Loss from investment in associate	10	45,000	-
Share based payments	17	1,827,619	1,448,000
Shares issued for community relations		36,164	-
Accretion on site reclamation and closure	13	336,868	16,198
Depreciation of property, plant and equipment	8	507,614	13,935
Realized gain on marketable securities	6	(90,580)	-
Working capital changes			
Change in amounts receivable		(40,690)	(194,994)
Funds from long term receivable		-	1,300,000
Change in inventory		(64,212)	-
Change in prepaid expenses		(296,407)	(141,789)
Change in long term receivable		(319,181)	-
Change in accounts payable and accrued liabilities		800,385	180,993
<b>Cash flows used in operating activities</b>		<b>(17,741,320)</b>	<b>(2,392,681)</b>
<b>Investing activities</b>			
Acquisition of Bralorne Gold Mines	9	-	(9,025,373)
Cash acquired on corporate acquisition		-	1,970,450
Acquisition of exploration and evaluation assets		(215,000)	(540,000)
Proceeds from sale of NSR	9	-	6,150,000
Acquisition of property, plant and equipment		(1,071,338)	-
Reclamation deposits		(1,179,963)	-
(Purchase) Sales of marketable securities, net		90,580	2,526,633
<b>Cash flows from (used in) investing activities</b>		<b>(2,375,721)</b>	<b>1,081,710</b>
<b>Financing activities</b>			
Issue of shares pursuant to private placement		36,059,988	10,077,209
Share issue costs		(2,365,586)	-
Issue of shares pursuant to exercise of warrants and options		2,040,906	-
Repayment of lease and equipment loans		(346,350)	(10,359)
<b>Cash flows from financing activities</b>		<b>35,388,958</b>	<b>10,066,850</b>
<b>Net increase in cash and cash equivalents for the year</b>		<b>15,271,917</b>	<b>8,755,879</b>
<b>Cash and cash equivalents, beginning of the year</b>		<b>9,702,490</b>	<b>946,611</b>
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 24,974,407</b>	<b>\$ 9,702,490</b>
<b>Supplementary cash flow information</b>			
Interest received		\$ 59,724	\$ 27,059

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

**Talisker Resources Ltd.**

(formerly Eurocontrol Technics Group Inc.)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019**

(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS**

Talisker Resources Ltd. (formerly Eurocontrol Technics Group Inc.) (“Talisker” or the “Company”) is a publicly listed company incorporated in British Columbia and continued in the Province of Ontario. The Company is engaged in exploration and evaluation of mineral properties in British Columbia. The Company’s shares were listed on the Canadian Securities Exchange (the “CSE”) under the symbol “TSK” and the OTCQB Venture Market under the symbol “TSKFF” as at December 31, 2020. On October 14, 2020 the Company’s shares began trading on the Toronto Stock Exchange (the “TSX”) under the symbol TSK and the Company voluntarily delisted from the CSE. The head office and registered address of the Company is located at 350 Bay Street, Suite 400, Toronto, Ontario, M5H 2S6.

The business of acquiring, exploring, and developing precious mineral deposits involves a high degree of risk. Talisker is in the exploration stage and is subject to risks and challenges similar to companies in a comparable stage. These risks include, but are not limited to, the challenges of securing adequate capital, exploration, development and operational risks inherent in the mining industry; changes in government policies and regulations; the ability to obtain the necessary environmental permitting; challenges in future profitable production or, alternatively Talisker’s ability to dispose of its interest on an advantageous basis; as well as global economic and commodity price volatility; all of which are uncertain. There is no assurance that Talisker’s funding initiatives will continue to be successful. The underlying value of the mineral properties is dependent upon the existence and economic recovery of mineral reserves and is subject to, but not limited to, the risks and challenges identified above. Changes in future conditions could require material write-downs of the carrying value of mineral properties and deferred exploration.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors of the Company on March 25, 2021.

**2. BASIS OF PRESENTATION****Statement of Compliance**

The Company’s consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Talisker Resources Ltd.**

(formerly Eurocontrol Technics Group Inc.)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019****(Expressed in Canadian dollars)****2. BASIS OF PRESENTATION (continued)****Principles of Consolidation**

These consolidated financial statements for the years ended December 31, 2020 and 2019 include the financial position, financial performance and cash flows of the Company and its subsidiary detailed below:

<b>Subsidiary</b>	<b>Country of Incorporation</b>	<b>Economic Interest</b>	<b>Basis of Accounting</b>
Bralorne Gold Mines Ltd.	Canada	100%	Full consolidation

*Subsidiaries* - Subsidiaries are entities over which the Company has control, whereby control is defined as the power to direct activities of an entity that significantly affect the entity's returns so as to obtain benefit from its activities. Control is presumed to exist where the Company has a shareholding of more than one half of the voting rights in its subsidiaries. The effects of potential voting rights that are currently exercisable are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date at which control ceases.

**3. SIGNIFICANT ACCOUNTING POLICIES****(a) Presentation Currency**

The Company's presentation currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar, and the functional currency of its subsidiary is the Canadian dollar.

**(b) Foreign Currency Translation**

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign currency translation gains and losses are presented in the statements of loss and comprehensive loss in the period in which they occur. The Company translates the financial statements of any subsidiaries with a different functional currency than the parent company as follows: items in the statement of loss and comprehensive loss are translated into the presentation currency using the average exchange rate for the year. Assets and liabilities are translated at the year-end rate. All resulting exchange differences are reported as a separate component of other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in accumulated other comprehensive income, shall be reclassified from equity to consolidated statements of loss and comprehensive loss when the gain or loss on disposal is recognized.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(c) Exploration and Evaluation Assets and Expenditures**

##### **Exploration and Evaluation Assets and Expenditures**

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential or in the process of obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, drilling and other work involved in searching for minerals.

Evaluation expenditures are the costs incurred to establish the technical and commercial viability of developing mineral deposits identified through exploration activities or by acquisition. Evaluation expenditures include the cost of:

- (i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve;
- (ii) determining the optimal methods of extraction and metallurgical and treatment processes;
- (iii) studies related to surveying, transportation, and infrastructure requirements;
- (iv) permitting activities; and
- (v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Costs incurred to acquire an exploration and evaluation asset are capitalised based on the fair value of the assets acquired less the costs associated with the acquisition. Such assets may be acquired with an associated reclamation and closure obligation. These obligations are recorded as a provision on the statement of financial position with the offsetting asset recorded as part of the exploration and evaluation asset.

Costs incurred pre-exploration, including license costs paid in connection with a right to explore in an existing exploration area are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, up until the point it is concluded that a future economic benefit is more likely than not to be realized.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Exploration and Evaluation Assets and Expenditures (continued)

##### Sale of Royalty Interest

The Company records the proceeds from the sale of a royalty interest on a property against the value of the Exploration and Evaluation asset in the statement of financial position and does not recognize any gain or loss on its exploration and evaluation royalty transactions, until the consideration received is in excess of the carrying amount of the associated asset on which the royalty is to be earned.

#### (d) Property, Plant and Equipment

##### Cost

Items of property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant) borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The cost of replacing or overhauling a component of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is written off. Costs associated with routine repairs and maintenance of plant and equipment are expensed as incurred.

##### Depreciation

The carrying amounts of property, plant and equipment are depreciated using the diminishing balance method using the rates below. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (or components) of plant and equipment.

Machinery and Equipment	5 years
Buildings	10 years
Water Treatment Plant	15 years
Vehicles	5 years

Depreciation methods and useful lives are reviewed at each annual reporting date and adjusted as appropriate.

Depreciation is either regarded as part of the cost of inventory or expensed through the statement of loss and comprehensive loss.

##### Disposal

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized in profit or loss.



**Talisker Resources Ltd.**

(formerly Eurocontrol Technics Group Inc.)

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(Expressed in Canadian dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(e) Reclamation Deposits**

Reclamation deposits are term deposits held on behalf of the Government of the Province of British Columbia (the "province") as collateral for possible reclamation activities on the Company's exploration and evaluation assets in connection with permits required for exploration activities. As they are restricted from general use, they are excluded from current assets. Reclamation deposits are released, by the province, once the property is restored to satisfactory condition, or as released under the surety bond agreement described in Note 13. Reclamation deposits are recorded at amortised cost.

**(f) Share-Based Payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 14.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statements of income and comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For those options and warrants that expire or are forfeited after vesting, the recorded value is transferred to retained earnings (deficit).

**(g) Finance Costs**

Finance costs comprise interest expense on borrowings calculated using the effective interest rate method.

**(h) Taxation****Current Income Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(h) Taxation (continued)**

##### **Deferred Income Tax**

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

No deferred tax liability is recognized on taxable temporary differences associated with investments to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

No deferred tax asset is recognized on the deductible temporary differences associated with investments in subsidiaries as it is not probable that the temporary differences will reverse in the foreseeable future.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(i) Impairment of Non-Financial Assets**

The Company assesses at each reporting date whether there is an indication that an asset (or cash-generating unit (CGU)) may be impaired. For exploration and evaluation assets such indicators include: assessing the expiry of the rights to explore, having a budget for planned activities, and considering if it is unlikely that further work will be conducted on an asset or CGU. If any indication of impairment exists, the Company estimates the asset's or CGU's recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU. Where the carrying value of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. In calculating 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/CGU. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses are recognized in loss and comprehensive loss.

An assessment is made each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the recoverable amount since the last impairment loss was recognized. The reversal is limited to the recoverable amount, which cannot exceed the carrying amount that would have been determined, net of depreciation/amortization, had no impairment loss been recognized for the asset/CGU in prior years. Such a reversal is recognized in loss and comprehensive loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(j) Financial Instruments**

##### **Financial Assets**

All financial assets are initially recorded at fair value and designated upon inception into one of the following three categories: amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Company's only instrument measured at fair value through profit or loss are its short-term marketable securities, which are comprised of short term bonds. As such, they are classified as fair value through profit or loss based on the current fair value.

##### **Amortized Cost**

These financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely the payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issues, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions for receivables are recognized based on the lifetime expected credit losses. During the process of reviewing accounts receivable for impairment, the probability of the non-payment of the receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for receivables. For receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within operating expenses in the consolidated statement of comprehensive loss. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company's financial assets measured at amortized cost comprise cash and cash equivalents, reclamation deposits and amounts receivable.

##### **Financial Liabilities**

The Company classifies its financial instruments into one of two categories, depending on the purpose for which the liability was acquired.

##### **Fair Value Through Profit or Loss**

RSU liability is classified as fair value through profit or loss at December 31, 2020. These liabilities are classified and measured at fair value through profit and loss.

##### **Other Financial Liabilities**

Other financial liabilities include accounts payables and accrued liabilities and equipment loans payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(k) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash at banks and cash on hand and short term, highly liquid deposits which are either cashable or with original maturities of less than three months from the date of acquisition.

#### **(l) Provisions**

##### **General**

Provisions are recognised when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statements of income and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### **Provision for Site Reclamation and Closure**

The Company records the present value of estimated costs of legal and constructive obligations required to restore mining and other operations in the period in which the obligation is incurred. Management makes significant assumptions in determining the timing and extent of costs of the site reclamation and closure provision that has been prepared by third party experts. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration and evaluation assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability, and is included as a finance expense. Where the timing of the work to perform rehabilitation work is uncertain, management either makes its best effort to assess the appropriate present value or will record the gross value of a provision amount.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment.

For closed sites, or assets with zero carrying values changes to estimated costs are recognized immediately in loss and other comprehensive loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(l) Provisions (continued)**

##### **Contingent Assets**

The Company discloses contingent assets, where an inflow of economic benefits is probable. The Company continually assess any contingent assets to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs.

#### **(m) Earnings (Loss) Per Share**

Basic earnings (loss) per common share has been computed by dividing the earnings (loss) applicable to common shareholders by the weighted-average number of common shares outstanding during the year. Diluted earnings (loss) per common share reflects the potential dilution of common share equivalents such as outstanding options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease (loss) per share.

#### **(n) Operating Segments**

At December 31, 2020, the Company's operations comprise a single operating segment engaged in mineral exploration and evaluating in British Columbia. An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief executive officer; and
- for which discrete financial information is available.

#### **(o) Right of use asset and lease liabilities**

The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, each operation's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Lease payments included in the measurement of the lease liability comprise the following: fixed payments, including insubstance fixed payments, less any lease incentives receivable, variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Company under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(o) Right of use asset and lease liabilities (continued)**

The right-of-use asset is initially measured at cost, which comprises the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs incurred by the Company, and an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The right-of-use asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for plant and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to consolidated statements of loss and comprehensive loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. On the consolidated statements of financial position, right-of-use assets and lease liabilities are reported in property, plant and equipment and lease obligation, respectively.

#### **(p) Investment in associate**

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the Company's share of profits or losses of associates after the date of acquisition. The Company's share of profits or losses is recognized in the statement of loss and its share of other comprehensive loss or loss of associates is included in other comprehensive loss.

Unrealized gains on transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising from changes in interests in investments in associates are recognized in the statement of loss.

The Company assesses at each period end whether there is any objective evidence that its investments in associates are impaired. If impaired, the carrying value of the Company's shares of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less costs of disposal and value in use) and charged to the statement of loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(q) Adoption New Accounting Standards**

The adoption of the following new standards, interpretations and amendments were included in the financial statements for the year beginning January 1, 2020.

#### **IFRS 3, Business Combinations (“IFRS 3”)**

In October 2018, the IASB issued amendments to the guidance in IFRS 3, that revises the definition of a business. The revised guidance introduces an optional concentration test that, if met, eliminates the need for further assessment. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. These amendments were adopted and resulted in no impact on the financial statements.

#### **Amendments to IAS 16**

Amendments to IAS 16, Property, Plant and Equipment—Proceeds before Intended Use Effective on January 1, 2022, the amendments to IAS 16 require that entities are no longer able to deduct the net proceeds from selling any items from an asset's carrying amount before it is capable of operating in the manner intended by management. Instead, the proceeds should be recognised in accordance with applicable standards and in particular applying the measurement requirements of IAS 2 for the cost of those items. The Amendments to IAS 16 may impact the Company's development projects.

### **4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Exploration and Evaluation **Assets' carrying values and impairment charges** - The Company assesses its cash-generating units at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs of disposal and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties
- **Share-based payments** – The Company determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.



#### **4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

- **Provision for site reclamation and closure** – Provisions for site reclamation and closure have been created based on management estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability as shown in Note 13. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management and are based on current regulatory requirements. Significant changes in estimates of discount rate, contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual reclamation and closure costs will ultimately depend on future market prices for the costs which will reflect the market condition at the time the costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.
- **Impairment of investments in associate** – The Company follows the guidance of IAS 28, Investments in Associates and Joint Ventures to assess whether there are impairment indicators which may lead to the recognition of an impairment loss with respect to its net investment in an associate. This determination requires significant judgement in evaluating if a decline in fair value is significant or prolonged, which triggers a formal impairment test. In making this judgement, the Company's management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount, the volatility of the investment and the financial health and business outlook for the investee, including factors such as the current and expected status of the investee's exploration projects and changes in financing cash flows.
- **COVID-19** - The outbreak of the novel coronavirus ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods. It is management's assumption that the Company will continue to operate as a going concern. Based on current legislation, as of December 31, 2020, the Company is required to spend approximately \$11,000,000 to be spent by December 31, 2021 in connection with its flow-through offerings (December 31, 2019 - \$3,158,000). On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including extending the filing requirement for the Part XII.6 tax for the same period. Proposed amendments to enact these proposals were published on December 16, 2020, but have not been enacted as of December 31, 2020. Assuming the extension is enacted as proposed, the Corporation will be required to spend \$11,000,000 of flow-through funds by December 31, 2022, instead of December 31, 2021.

#### **5. CASH AND CASH EQUIVALENTS**

The balance at December 31, 2020 consists of cash on deposit with major Canadian banks in interest bearing accounts totaling \$13,169,564 (December 31, 2019 - \$9,602,490) and guaranteed investment certificates with major Canadian banks of \$11,804,843 (December 31, 2019 - \$100,000) for total cash and cash equivalents of \$24,974,407 (December 31, 2019 - \$9,702,490).

**Talisker Resources Ltd.**

(formerly Eurocontrol Technics Group Inc.)

**Notes to the Consolidated Financial Statements  
For the years ended December 31, 2020 and 2019****(Expressed in Canadian dollars)****6. MARKETABLE SECURITIES**

During the year ended December 31, 2020, the Company recognized interest income related to the various investments of \$59,724 (2019 - \$27,059).

During the year ended December 31, 2020, the Company recognized a realized gain of \$90,580 (2019 - \$nil) on sale of various common shares.

**7. AMOUNTS RECEIVABLE**

<b>As at,</b>	<b>December 31, 2020</b>	December 31, 2019
HST receivable	\$ 345,767	\$ 293,746
Other receivables	-	11,331
	<b>\$ 345,767</b>	<b>\$ 305,077</b>

At December 31, 2020, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2020 and December 31, 2019.

**Long Term Receivable**

As at December 31, 2020, the Company recognized a receivable of \$319,181 (December 31, 2019 - \$nil) related to B.C. tax mining credits. The Company expects to receive the refund pending the standard review process by CRA which is expected to take longer than 12 months.

## 8. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment \$	Buildings \$	Land \$	Water Treatment Facility \$	Vehicles \$	Right-of-Use Asset \$	Total \$
Balance at December 31, 2018	-	-	-	-	-	-	-
Additions	849,210	312,500	-	977,000	96,700	575,000	2,810,410
Balance at December 31, 2019	849,210	312,500	-	977,000	96,700	575,000	2,810,410
Additions	309,979	377,009	315,000	-	80,360	695,039	1,777,387
Disposals	(11,136)	-	-	-	-	-	(11,136)
Balance at December 31, 2020	1,148,053	689,509	315,000	977,000	177,060	1,270,039	4,576,661

### ACCUMULATED DEPRECIATION

Balance at December 31, 2018	-	-	-	-	-	-	-
Additions	5,021	2,133	-	2,739	778	3,264	13,935
Balance at December 31, 2019	5,021	2,133	-	2,739	778	3,264	13,935
Additions	201,024	54,357	-	84,307	19,723	148,203	507,614
Disposals	(126)	-	-	-	-	-	(126)
Balance at December 31, 2020	205,919	56,490	-	87,046	20,501	151,467	521,423

### NET BOOK VALUE

At December 31, 2019	844,189	310,367	-	974,261	95,922	571,736	2,796,475
<b>At December 31, 2020</b>	<b>942,134</b>	<b>633,019</b>	<b>315,000</b>	<b>889,954</b>	<b>156,559</b>	<b>1,118,572</b>	<b>4,055,238</b>

## 9. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation assets for the Company are summarized as follows:

### Year ended December 31, 2020

Project	January 1, 2020	Additions	Disposals	December 31, 2020
<b>Bralorne Gold Camp</b>				
Bralorne Gold Project	\$ 17,120,504	\$ 255,958	\$ -	\$ 17,376,462
Royalle Property	-	243,000	-	243,000
NaiKun Wind Crown Grant	-	36,000	-	36,000
Congress Property	-	295,000	-	295,000
Big Sheep Property	-	120,000	-	120,000
<b>Northern BC Properties</b>				
Baker-Shasta Project	1,127,406	-	(1,127,406)	-
Mets Lease	5,917	-	(5,917)	-
Bot Property	256,948	-	(256,948)	-
<b>Southern BC Properties</b>				
Spences Bridge	5,701,823	-	-	5,701,823
Blustry Mountain Property	30,000	-	-	30,000
Tulox Property	405,963	-	-	405,963
Merritt Property	41,900	28,250	-	70,150
New Bluejay Property	109,338	-	-	109,338
Golden Hornet Property	-	66,125	-	66,125
SC Property	-	78,750	-	78,750
	\$ 24,799,799	\$ 1,123,083	\$ (1,390,271)	\$ 24,532,611

### Year ended December 31, 2019

Project	January 1, 2019	Additions	Sale of NSR	December 31, 2019
<b>Bralorne Gold Camp</b>				
Bralorne Gold Project	\$ -	\$ 23,270,504	\$ (6,150,000)	\$ 17,120,504
<b>Southern BC Properties</b>				
Spences Bridge	-	5,701,823	-	5,701,823
<b>Northern BC Properties</b>				
Baker-Shasta Project	-	1,127,406	-	1,127,406
Mets Lease	-	5,917	-	5,917
Bot Property	-	256,948	-	256,948
<b>Southern BC Properties</b>				
Blustry Mountain Property	-	30,000	-	30,000
Tulox Property	-	405,963	-	405,963
Merritt Property	-	41,900	-	41,900
New Bluejay Property	-	109,338	-	109,338
	\$ -	\$ 30,949,799	\$ (6,150,000)	\$ 24,799,799

## 9. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2020, the Company issued 2,675,000 shares with a value of \$846,125 and made cash payments of \$215,000 for property acquisitions.

During the year ended December 31, 2020, the increase in estimate for the provision for site reclamation and closure of \$61,958 was added to the cost of the Bralorne Gold Project, see note 13.

### Bralorne Gold Camp

#### Acquisition of Bralorne Gold Mines Ltd.

On December 13, 2019, the Company completed the acquisition of a 100% interest in the Bralorne Gold Project (the "Bralorne Gold Project") located in southwestern British Columbia from Avino Silver & Gold Mines Ltd. ("Avino").

Talisker acquired all of the common shares of Bralorne Gold Mines Ltd. ("Bralorne"), Avino's wholly owned subsidiary that owned the Bralorne Gold Project, in exchange for:

1. A cash payment of \$8,700,000;
2. 12,580,000 common shares of Talisker, representing 9.9% of the number of outstanding common shares; and
3. 6,290,000 common share purchase warrants ("warrants"), with each warrant being exercisable at \$0.25 for a period of three years from closing, subject to acceleration in the event the closing price of common shares is greater than \$0.35 for 20 or more consecutive trading days at any time following April 14, 2020. The warrants were ascribed a fair value of \$903,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.64%; volatility 100% and an expected life of 36 months.

A cash payment of US\$2.5 million will be payable to Avino on commencement of commercial production of the Project. This contingent payment has not been ascribed any value as at the date of acquisition.

The operations and changes in cash flow of Bralorne have been included from the date control was acquired (December 13, 2019) to the date of these consolidated financial statements. As Bralorne does not meet the definition of a business per IFRS 3, the Acquisition has been accounted for as an asset acquisition, whereby Talisker is considered to issue additional shares in return for the net assets of Bralorne at their fair value as follows:

Cash	\$	1,970,450
Accounts receivable		78,157
Inventory		7,709
Reclamation deposits		25,000
Property, plant and equipment		2,810,410
Exploration and evaluation asset		23,270,504
Accounts payable and accrued liabilities		(510,780)
Leases payable		(353,851)
Provision for site reclamation and closure		(14,177,926)
Net assets acquired	\$	13,119,673

## 9. EXPLORATION AND EVALUATION ASSETS (continued)

Consideration paid:	
Cash	\$ 8,700,000
Shares and warrants issued on acquisition (Note 14)	3,859,300
Shares issued as fees on acquisition (Note 14)	235,000
Other acquisition expenses	325,373
Total consideration	\$ 13,119,673

The Company owns a 100% undivided interest in certain mineral properties located in the Lillooet Mining Division. There is an underlying agreement on 12 crown grants in which the Company is required to pay 1.6385% of net smelter proceeds of production from the claims, and pay fifty cents Canadian (C\$0.50) per ton of ore produced from these claims if the ore grade exceeds 0.75 ounces per ton gold. A cash payment of US\$2.5 million will be payable to Avino on commencement of commercial production of the Project.

The Company also owns land and mineral claims for the Bralorne Gold Project in connection with ongoing plans for exploration and potential expansion, in the Lillooet Mining Division of British Columbia. The Bralorne Gold Project carries a 1% net smelter returns royalty to a maximum of C\$0.25 million, and a 2.5% net smelter returns royalty.

On December 24, the Company entered into a definitive royalty purchase agreement and royalty agreement with its wholly-owned subsidiary Bralorne and Osisko Gold Royalties Ltd for the sale of a 1.2% net smelter returns royalty on all production from the Bralorne Gold Project located in southwestern British Columbia. The transaction under these agreements was completed and Talisker received proceeds in the amount of \$6,200,000 less \$50,000 in transaction fees which was recorded as a reduction in exploration and evaluation assets for the year ended December 31, 2019.

On October 30, 2020, the Company closed the acquisition of 17 Crown Granted mineral claims (the "Bralorne Extension Claims"). Under the terms of the purchase agreement, Talisker paid \$50,000 in cash and issued 400,000 common shares of Talisker.

### Royalle Property

On March 26, 2020, the Company announced an increase to its land position in the Bralorne Gold Camp with the acquisition of the Royalle Property. In connection with the agreement, Talisker paid \$60,000 in cash and issued 600,000 common shares of Talisker. The Vendor retained a 1% NSR that Talisker can purchase for \$1,000,000.

### NaiKun Wind Crown Grant

On March 31, 2020, the Company announced a further expansion of its land position in the Bralorne Gold Camp with the acquisition of 19 Crown Grant known as the NaiKun Crown Grant mineral claims. On April 15, 2020, under the terms of the purchase agreement, Talisker issued 100,000 shares to the vendor in return for 100% ownership of the Naikun Grown Grants.

### Congress Property

On April 9, 2020, the Company announced the acquisition of the Congress Property. Under the terms of the purchase agreement, Talisker issued 1,000,000 common shares in return for 100% ownership of the Congress Property.

## 9. EXPLORATION AND EVALUATION ASSETS (continued)

### Remington Property

The Remington property is located in central British Columbia near the town of Goldbridge. The property was staked by Talisker and consists of 22 mineral titles totalling 33,839 hectares.

### Big Sheep Property

The Big Sheep property is located at the northwest extreme of the Remington property and was acquired in January 2020 with the payment of \$40,000 in cash and the issuance of 250,000 common shares.

### Northern and Southern BC Properties

#### *Acquisition of Northern and Southern BC Properties from Sable Resources Ltd.*

On January 24, 2019, the Company entered into an asset purchase agreement to acquire Sable Resources Ltd.'s ("Sable") mineral resource properties located in the Province of British Columbia and certain related assets (the "Acquired Properties") in exchange for paying Sable \$500,000 in cash and issuing Sable 30,000,000 post-consolidation shares at the time of closing and granting Sable, on the closing date, a 1.0% net smelter return royalty on each of the Acquired Properties and assuming certain liabilities relating to the Acquired Properties (the "Transaction").

On March 29, 2019, shareholders approved the Transaction resolution and other related items of business and on April 17, 2019, the Company filed Articles of Amendment to change its name to Talisker Resources Ltd. and to consolidate its shares on a 1 for 4 basis.

The value of the acquisition costs related to the transaction are outlined below:

Reclamation deposits	\$ 50,437
Exploration and evaluation asset	7,607,395
Provision for site reclamation and closure (Note 13)	<u>(1,157,832)</u>
Net assets acquired	\$ 6,500,000
Consideration paid:	
Cash	\$ 500,000
Shares issued on acquisition (Note 14)	<u>6,000,000</u>
Total consideration	\$ 6,500,000

### The Acquired Properties

The Acquired Properties included several early to advanced stage projects including in the Toadoggone region of northern British Columbia, the past producing Baker Gold Project; the Shasta Mine and Baker mill infrastructure and equipment; the Chappelle (Baker and Multinational Mines) property; the Mets lease; the Bot property and in south central British Columbia, the Spences Bridge property, the Blue Jay property, the Sauchi Creek property, the Tulameen property and the Tulox property. Since acquisition, Talisker has divested of the Sauchi Creek and Tulameen properties.

A description of the Acquired Properties and additional properties acquired by the Company post the Transaction follows.

## **9. EXPLORATION AND EVALUATION ASSETS (continued)**

### *Northern BC Properties*

#### **Baker Gold Project**

The Baker Gold Project is located in the Toadoggone region, 430 km northwest of Prince George, British Columbia. The Baker Gold Project consists of 53 mineral claims, and two mining leases covering 6,569 hectares of land that encompass the past-producing Dupont-Baker 'A' and Multinational 'B' underground gold-silver mines and the past-producing Shasta open pit/underground gold-silver mine, and the Baker mill and tailings storage facility.

#### **Mets Lease**

The Mets Lease is located approximately 20 km north of the Baker and Multinational Mines. The mining lease covers two km<sup>2</sup> and is subject to a 1% NSR which can be purchased at any time for Canadian \$500,000.

#### **Sale of Northern BC properties to TDG Gold Corp.**

On December 11, 2020, the Company sold several properties located in the Toadoggone region of the Province of British Columbia to TDG Gold. As part of the Purchase Agreement TDG Gold acquired the Baker Project, the Shasta Mine and the Baker mill infrastructure and equipment; the Chappelle property, the Mets lease, and the Bot property, see note 10.

### *Southern BC Properties*

#### **Spences Bridge Gold Project**

The Spences Bridge Gold Project consists of a land package located in the Spences Bridge Gold Belt in southern British Columbia and comprises ground staked by the Company within 5 km of Westhaven's existing projects will be subject to a 2.5% net smelter royalty. Additionally, Westhaven has a 30 day right of first refusal for a three-year period for any properties within the same 5 km radius.

The Spences Bridge Gold Project consists of a 194,038 hectares (129 claims) land package located in the Spences Bridge Gold Belt in southern British Columbia and comprises ground acquired as part of the Acquired Properties since closing the Transaction, additional acreage has been staked. In connection with the acquisition of the Acquired Properties, the Company assumed a strategic alliance with Westhaven Ventures Inc. ("Westhaven") whose projects are contiguous to the Company's claims. The strategic alliance provides for an agreement whereby any ground staked within 5 km of Westhaven's existing projects will be subject to a 2.5% net smelter royalty. Additionally, Westhaven has a 30 day right of first refusal for any properties within the same 5 km radius.

On August 17, 2019, the Company staked a claim comprising 226 hectares on the western margin of the Spences Bridge Project.

#### **Blustry Mountain Property**

On June 18, 2019, the Company entered into purchase agreements for the Blustry Mountain property which now forms part of the Spences Bridge Gold Project. The four mineral claims were purchased in exchange for cash payments of \$30,000 (paid), the issuance of 220,000 common shares of Talisker (issued) valued at \$31,900 and, in the case of three of the minerals claims, a 1% net smelter royalty (NSR). Talisker has the right to purchase 50% of the NSR for \$500,000.



## **9. EXPLORATION AND EVALUATION ASSETS (continued)**

### **Tulox Property**

The Tulox property is located 55 kilometres north of Kamloops in southern British Columbia. The property consists of 22 mineral claims totaling 13,720.9 hectares.

### **Dora-Merritt Option Agreement**

On May 31, 2019, Talisker entered into a purchase agreement for the Dora-Merritt property which encompasses six mineral claims, and provides the Company with an option to acquire 100 per cent of the Dora-Merritt property mineral claims. Under the term of the option agreement, Talisker paid \$10,000 in cash and has agreed to pay \$10,000 and 50,000 common shares of Talisker on May 31, 2020, and May 31, 2021; \$20,000 and 50,000 common shares of Talisker on May 31, 2022; \$50,000 and 150,000 common shares of Talisker on May 31, 2023; and to spend a minimum of \$50,000 per year over five years. The option agreement is also subject to a share bonus of one common share per ounce of gold equivalent in the inferred or greater category to a maximum of 250,000 common shares and a 2% NSR. Talisker has the right to purchase 50% of the NSR for \$1-million.

### **Blue Jay Property**

The Blue Jay property consists of five claim blocks totaling 2,753 hectares located 30 minutes north of Rock Creek, British Columbia.

### **Golden Hornet Property**

On January 28, 2020, the Company entered into an option agreement for the Golden Hornet comprising 13 mineral claims that are contiguous to the Company's existing Blue Jay property.

Under the term of the option agreement, Talisker can acquire 100% of the Golden Hornet property in exchange for payments totaling \$145,000 in cash and 575,000 common shares, payable as to \$10,000 cash on signing and 50,000 common shares, \$10,000 in cash and 50,000 common shares on the first anniversary, \$25,000 cash and 75,000 common shares on the second anniversary, \$50,000 cash and 150,000 common shares on the third anniversary, and \$50,000 cash and 250,000 common shares on the fourth anniversary and to expend \$60,000 per year over four years. The option agreement is also subject to a share bonus of one common share per ounce of gold equivalent in the inferred or greater category to a maximum of 200,000 common shares and a 2% NSR. Talisker has the right to purchase 100% of the NSR for \$1 million.

### **SC Property**

On June 18, 2020, the Company announced that it had entered into a definitive purchase agreement with an arm's length vendor to purchase the SC Property which is contiguous to the Dora Gold Project. Under the terms of the purchase agreement, Talisker paid \$30,000 cash and issued 150,000 shares to the vendor along with a 1% NSR in return for 100% ownership of the SC Property. The NSR can be purchased by Talisker for \$500,000. The common shares issued will be subject to a four month hold period pursuant to applicable securities laws.

### **Lola Property**

The Lola property is located in southern British Columbia near Lillooet and consists of four mineral claims. The first mineral claim comprising 1,670 hectares was staked in April 2019 and the final three claims comprising 3,279 hectares were staked by the Company in August 2019.

## 10. INVESTMENT IN ASSOCIATE

On December 11, 2020, The Company sold several properties located in the Toadoggone region of the Province of British Columbia to TDG Gold, see note 9. The Properties being acquired by TDG Gold consist of the Baker Project, the Shasta Mine and the Baker mill infrastructure and equipment; the Chappelle property, the Mets lease, and the Bot property. Pursuant to the Purchase Agreement, TDG Gold acquired the Properties by issuing to Talisker 18,973,699 TDG Gold Shares.

As a result of the issuance of 18,973,699 shares, Talisker held 33% of the issued and outstanding shares of TDG Gold as at December 11, 2020. Due to these shareholdings and the two directors it has appointed to the board of TDG Gold, the Company has determined that it has significant influence over TDG Gold and has accounted for its continuing investment as an Investment in Associate using the equity basis of accounting. The Company recorded a fair value of \$4,553,688 for its interest in the 18,973,699 TDG Gold shares issued to Talisker on December 11, 2020 at a price of \$0.24 per TDG Gold share, which resulted in a gain on sale of properties of \$4,255,849 which was recognized in the statement of loss and comprehensive loss for the year ended December 31, 2020.

Fair value of the 18,973,699 TDG Gold shares (\$4,553,688) was estimated using the specifics of the TDG Gold private placement that was completed on the same date Talisker received the 18,973,699 shares ("TDG Gold Private Placement"). The TDG Gold Private Placement consisted of a unit priced at \$0.30 with each unit comprising of one common share and one half common share purchase warrant. The fair value calculation of \$0.24 per share, included a deduction for the value of the warrants in the private placement of one half common share purchase warrant which was valued at \$0.06 using the Black-Scholes option pricing model, with the following assumptions: dividend yield 0%; risk free interest 0.31%; volatility 100% and an expected life of 36 months.

Fair value of one TDG Gold share as at December 31, 2020 was \$0.42. The shares are subject to release based on the following schedule:

	Shares Released	Cumulative Released
April 12, 2021	4,743,425	4,743,425
June 14, 2021	4,743,425	9,486,850
December 14, 2021	4,743,425	14,230,275
June 14, 2022	4,743,424	18,973,699
	18,973,699	18,973,699

Changes in the investment in associate for the year ended December 31, 2020 were as follows:

<b>Acquisition December 11, 2020, at fair value</b>	<b>\$ 4,553,688</b>
Proportionate share of net loss	(45,000)
<b>Balance – December 31, 2020</b>	<b>\$ 4,508,688</b>

## 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<b>As at,</b>	<b>December 31, 2020</b>	December 31, 2019
Accounts payable	\$ 1,306,538	\$ 932,153
Accrued liabilities	817,246	391,246
	<b>\$ 2,123,784</b>	<b>\$ 1,323,399</b>

## 12. LEASES AND EQUIPMENT LOANS PAYABLE

### Equipment Loan Payable

The Company has entered into loans for mining equipment maturing in 2020 with a fixed interest rate of 4.35% per annum. The Company's obligations under the loans are secured by certain plant and mining equipment.

The contractual maturities and interest charges in respect of the Company's obligations under the equipment loans are as follows:

	<b>December 31, 2020</b>	December 31, 2019
Not later than one year	\$ -	\$ 130,298
Later than one year and not later than five years	-	-
Less: Future interest charges	-	(3,019)
Present value of loan payments	-	127,279
Less: current portion	-	127,279
Non-current portion	<b>\$ -</b>	<b>\$ -</b>

### Leases Payable

The Company has entered into equipment leases expiring between 2020 and 2021, with interest rates ranging from 4.95% to 5.90% per annum. The Company has the option to purchase the equipment at the end of the lease term for a nominal amount. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

The contractual maturities and interest charges in respect of the Company's finance lease obligations are as follows:

	<b>December 31, 2020</b>	December 31, 2019
Not later than one year	\$ 315,534	\$ 109,066
Later than one year and not later than five years	454,576	129,958
Less: Future interest charges	(77,929)	(22,811)
Present value of lease payments	692,181	216,213
Less: current portion	(269,316)	(95,293)
Non-current portion	<b>\$ 422,865</b>	<b>\$ 120,920</b>

Reconciliation of debt arising from lease liabilities:

	<b>December 31, 2020</b>	December 31, 2019
Lease liability at beginning of year	\$ 216,213	\$ -
Principal payments on lease liabilities	(219,071)	216,213
Additions to lease liabilities	695,039	-
	<b>\$ 692,181</b>	<b>\$ 216,213</b>

### 13. PROVISION FOR SITE RECLAMATION AND CLOSURE

Provincial laws and regulations concerning environmental protection affect the Company's exploration and operations. Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its activities and to perform site restoration and other closure activities. The Company's provision for future site closure and reclamation costs is based on known requirements.

The breakdown of the provision for site reclamation and closure is as per below:

	December 31, 2020			December 31, 2019		
	Talisker	Bralorne	Total	Talisker	Bralorne	Total
Balance, beginning of period/year	1,157,832	14,194,124	15,351,956	-	-	-
Acquisition of properties	-	-	-	1,157,832	14,177,926	15,335,758
Disposition of properties (Note 9)	(1,157,832)	-	(1,157,832)	-	-	-
Change in estimate	-	61,958	61,958	-	-	-
Accretion	-	336,868	336,868	-	16,198	16,198
Balance, end of period/year	-	14,592,950	14,592,950	1,157,832	14,194,124	15,351,956

The Company's determination of the environmental rehabilitation provision arising from its activities at the Baker, Bot, and Tulox projects (Sable) at December 31, 2020 was \$nil (December 31, 2019: \$1,157,832). The Company has estimated that the reclamation costs are current costs and as such considers the present value of the provision at December 31, 2020 to be equal to the total future undiscounted cash flows to settle the provision for reclamation, being \$nil (December 31, 2019: \$1,157,832). The environmental rehabilitation provision was eliminated upon the sale of the properties to TDG Gold, see note 10.

As part of the Company's agreement with Sable, Sable is required to cover any environmental liability in excess of the agreed upon amount of \$316,266. As at December 31, 2020, the excess over this amount is equal to \$841,566 which was assigned to TDG Gold upon sale as described in note 10.

The present value of the obligation for Bralorne of \$14,592,950 (December 31, 2019 – \$14,194,124) is based on an undiscounted obligation of \$54,054,730, out of which \$8,537,452 is expected to be incurred in 2027 with the remaining \$45,517,278 to be incurred on water treatment and quality monitoring throughout 2126. The provision was calculated using a weighted average risk-free interest rate of 0.58% (December 31, 2019 – 1.71%) and a weighted average inflation rate of 1% (December 31, 2019 – 2%). Reclamation activities are estimated to begin in 2027 and are expected to be incurred over a period of 100 years.

#### Reclamation Deposits

The Company is required to make reclamation deposits in respect of its expected site reclamation and closure obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company.

	December 31, 2020			December 31, 2019		
	Talisker	Bralorne	Total	Talisker	Bralorne	Total
Balance, beginning of period/year	50,437	25,000	75,437	-	-	-
Additions	14,963	1,165,000	1,179,963	50,437	25,000	75,437
Disposals	(65,400)	-	(65,400)	-	-	-
Balance, end of period/year	-	1,190,000	1,190,000	50,437	25,000	75,437

### 13. PROVISION FOR SITE RECLAMATION AND CLOSURE (continued)

#### Reclamation Deposits (continued)

The Company has deposited funds totaling \$nil (December 31, 2019 - \$50,437) with the Province of British Columbia (the "Province") in relation to disturbance associated with exploration activities at the Baker Gold Project and the Bot and Tulox properties. This deposit is held until the Province is satisfied that the Company has completed certain remediation activities on these properties. The deposit was transferred to TDG Gold upon sale as described in note 10.

Under the Ministry of Energy, Mines and Petroleum Resources ("MEM"), the Company is required to hold reclamation bonds that cover the estimated future cost to reclaim the ground disturbed. Bralorne is required to pay \$250,000 every six months until a cumulative security equal to \$12,300,000. At December 31, 2020, the surety amounted to \$2,150,000 and the Company has placed \$1,190,000 in cash (December 31, 2019 - \$25,000), totalling \$3,340,000 to cover estimated future costs related to the ground disturbance at the Company's Bralorne project. As at December 31, 2020 the Company is current with all its obligations with the MEM.

### 14. ISSUED CAPITAL

#### Authorized Unlimited common shares without par value

	December 31, 2020	December 31, 2019
Issued capital	<b>\$ 61,393,068</b>	\$ 33,071,000
Fully paid common shares <sup>(1)</sup>	<b>213,309,069</b>	127,042,296

(1) As at December 31, 2020 and December 31, 2019, there are 250,000 shares awaiting issuance, the proceeds for which were received in 2008 and are included in share capital.

#### Common Shares Issued

	Number of Shares	Value of shares
Balance as at December 31, 2018	23,112,554	\$ 15,001,591
Issue of shares pursuant to private placement, net of issue costs	60,129,742	10,077,209
Issue of shares for acquisition of mineral properties	30,220,000	6,031,900
Shares and warrants issued on corporate acquisition	12,580,000	2,956,300
Shares issued as fees for corporate acquisition	1,000,000	235,000
Warrants issued	-	(696,000)
Broker warrants issued	-	(41,000)
Flow through premium liability	-	(494,000)
Balance as at December 31, 2019	127,042,296	\$ 33,071,000
Issue of shares pursuant to private placement, net of issue costs	75,380,790	29,853,402
Flow through premium liability	-	(5,480,000)
Issue of shares for acquisition of mineral properties (Note 9)	2,675,000	846,125
Issue of shares for community relations	109,589	36,164
Exercise of warrants	7,985,174	3,034,561
Exercise of RSU's	41,220	5,771
Exercise of options	75,000	26,045
Balance as at December 31, 2020	213,309,069	\$ 61,393,068

#### 14. ISSUED CAPITAL (continued)

On April 17, 2019, the Company filed Articles of Amendment to consolidate its shares on a 1 for 4 basis.

##### Financings

##### For the year ended December 31, 2020:

- (1) On August 13, 2020, the Company closed a bought deal private placement for gross proceeds of \$23,000,000. In connection with the offering, the Company issued an aggregate of 28,260,870 units at a price of \$0.46 for gross proceeds of \$13,000,000 and 15,625,000 charity flow-through units at a price of \$0.64 for gross proceeds of \$10,000,000. Each unit and charity flow through unit is comprised of one common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.70 for a period of 12 months from the date of issuance thereof. The warrants were ascribed a fair value of \$3,756,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.28%; volatility 132% and an expected life of 12 months.

In consideration for their services, the Company has paid the Agents a cash commission and incurred other closing costs totalling \$1,519,062.

- (2) On February 4, 2020, the Company closed a bought deal private placement for total gross proceeds of \$13,059,988. In connection with the offering, the Company issued an aggregate of 15,333,320 common shares at a price of \$0.33 per common Share for gross proceeds of \$5,059,996, and 16,161,600 charity flow-through (FT) common shares of the Company at a price of \$0.495 per Charity FT Share for gross proceeds of \$7,999,992, in which the charity FT shares will qualify as flow-through shares within the meaning of the Income Tax Act (Canada).

In consideration for their services, the Company has paid the Agents a cash commission and incurred other closing costs totalling \$846,524, and issued an aggregate of 620,817 warrants. Each warrant entitles the holder to acquire a common share of the Company at a price of \$0.33 for a period of 24 months. The warrants were ascribed a fair value of \$85,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.47%; volatility 75% and an expected life of 24 months.

##### For the year ended December 31, 2019:

- (1) On April 17, 2019, the Company completed an offering (the "Offering") of 11,730,000 subscription receipts (each, a "Subscription Receipt"), at a price of \$0.20 per Subscription Receipt, for gross proceeds of \$2,346,000. Following completion of the Transaction with Sable on April 18, 2019, the gross proceeds were released to Talisker, and all of the Subscription Receipts were automatically exchanged for units (each, a "Unit") of Talisker.

Each "Unit" comprised of one common share of Talisker, and one common share purchase warrant (each a "warrant") of Talisker, each warrant entitling the holder to acquire a further common share of the Company at a price of \$0.30 for a period of 24 months, subject to accelerated expiry in the event the closing price of the shares of the Company is greater than \$0.50 for ten consecutive trading days. The warrants were ascribed a fair value of \$696,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.62%; volatility 75% and an expected life of 24 months.

#### 14. ISSUED CAPITAL (continued)

- (2) On August 29, 2019 through September 6, 2019, the Company completed three tranches of a private placement financing of common shares, flow-through shares (the “FT Shares”) and charity flow-through shares (the “Charity FT Shares”) of the Company, issuing 11,642,770 common shares at a price of \$0.14 per common share for gross proceeds of \$1,629,988, as well as 10,463,750 FT Shares at a price of \$0.16 per FT Share for gross proceeds of \$1,674,200 and 4,071,000 Charity FT Shares at a price of \$0.21 per Charity FT Share for gross proceeds of \$854,910, respectively, for aggregate gross proceeds of \$4,159,098.

In consideration for their services, the Company paid the Agents a cash commission totalling \$254,256, and issued an aggregate of 518,566 compensation warrants, each compensation warrant entitling the holder to acquire a common share of the Company at a price of \$0.14 for a period of 24 months. The compensation warrants were ascribed a fair value of \$41,000 which was valued using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.34%; volatility 75% and an expected life of 24 months.

- (3) On December 13, 2019, the Company completed a private placement of 22,222,222 common shares at price of \$0.18 per common share for gross proceeds of \$4,000,000.

In consideration for services in connection with the financings, the Company paid cash commissions and other costs totalling \$173,633.

#### Diluted Weighted Average Number of Shares Outstanding

	<b>December 31, 2020</b>	December 31, 2019
Basic weighted average shares outstanding:	<b>181,008,970</b>	63,498,639
Effect of outstanding securities	-	-
Diluted weighted average shares outstanding	<b>181,008,970</b>	63,498,639

During the year ended December 31, 2020 and 2019, the Company had a net loss, as such, the diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share.

#### 15. FLOW-THROUGH PREMIUM LIABILITY

For the purposes of calculating the tax effect of any premium related to the issuances of the flow-through shares, the Company reviewed the share price of the Company’s common shares and compared it to determine if there was a premium paid on the shares.

For the year ended December 31, 2020, the Company recognized a \$5,480,000 as a flow-through premium liability on issuance in connection with the private placements described above. The amount will be reduced upon filing of renunciation documents with the Canada Revenue Agency.

For the year ended December 31, 2020, the Company recognized an amount of \$494,000, in relation to flow-through private placements closed in the prior year and has recorded the gain as income tax recovery upon filing of renunciation documents with the Canada Revenue Agency which occurred during the year ended December 31, 2020.

## 16. WARRANTS RESERVE

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

	Number of Warrants	Weighted average exercise price per warrant	Amount
Balance, January 1, 2019	-	\$ -	\$ -
Issue of warrants	11,730,000	0.30	696,000
Issue of broker warrants	518,566	0.14	41,000
Issue of warrants on corporate acquisition	6,290,000	0.25	903,000
Balance, December 31, 2019	18,538,566	\$ 0.28	\$ 1,640,000
Exercise of warrants	(7,985,174)	0.25	(1,011,700)
Issue of broker warrants (Note 13)	620,817	0.33	85,000
Issue of warrants	21,942,935	0.70	3,756,000
Balance, December 31, 2020	33,117,144	\$ 0.56	\$ 4,469,300

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

Expiry Date	Exercise Price	Outstanding and exercisable
April 18, 2021	\$0.30	10,410,500
August 13, 2021	\$0.70	21,942,935
August 29, 2021	\$0.14	152,981
February 4, 2022	\$0.33	610,728
<b>Balance, December 31, 2020</b>		<b>33,117,144</b>

During the year ended December 31, 2020, 7,985,174 warrants were exercised for proceeds of \$2,022,861.

## 17. SHARE-BASED PAYMENT RESERVE

### Stock Option Plan

The Board of Directors of the Company adopted a stock option plan (the "Plan") whereby the aggregate number of common shares reserved for issuance under the Plan, including common shares reserved for issuance under any other share compensation arrangement granted or made available by the Company from time to time, may not exceed 10% of the Company's issued and outstanding common shares. The Plan is administered by the Board of Directors and grants made pursuant to the Plan must at all times comply with regulatory policies.

The terms of any options granted under the Plan are fixed by the Board of Directors and may not exceed a term of five years. The exercise price of the options granted under the Plan is set at the last closing price of the Company's common shares before the date of grant or in accordance with regulatory requirements.

Each share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.



## 17. SHARE-BASED PAYMENT RESERVE (continued)

The following options were outstanding as at December 31, 2020:

Number of options outstanding	Number of exercisable options	Grant date	Expiry date	Exercise price	Fair value at grant date
243,750	243,750	February 19, 2016	February 19, 2021	\$ 0.60	150,609
100,000	100,000	August 22, 2018	August 22, 2023	\$ 0.24	11,000
3,400,000	3,400,000	June 18, 2019	June 18, 2024	\$ 0.20	332,000
5,000,000	5,000,000	December 27, 2019	December 27, 2024	\$ 0.295	1,102,000
1,100,000	1,100,000	February 14, 2020	February 14, 2025	\$ 0.390	367,000
1,100,000	1,100,000	August 20, 2020	August 20, 2025	\$ 0.460	339,000
200,000	200,000	August 20, 2020	August 20, 2022	\$ 0.460	32,000
4,425,000	4,425,000	December 11, 2020	December 11, 2025	\$ 0.330	1,081,000
15,568,750	15,568,750				3,414,609

Subsequent to year end, the 243,750 options with expiry date of February 19, 2021 expired unexercised.

The share options outstanding as at December 31, 2020 had a weighted exercise price of \$0.31 (December 31, 2019: \$0.27) and a weighted average remaining contractual life of 4.10 years (December 31, 2019: 4.57 years).

All options vested on their date of issue and expire within five years of their issue, or 90 days after the resignation of the director, officer, employee or consultant.

### *Fair value of share options granted in the year ended December 31, 2020*

On December 11, 2020, 4,425,000 share options were granted to directors, officers, employees and consultants of the Company to acquire the Company's shares at an exercise price of \$0.33 until December 11, 2025. These share options had an estimated fair value of \$1,081,000 at grant date.

On February 14, 2020, 1,300,000 share options were granted to directors, officers and consultants of the Company to acquire the Company's shares at an exercise price of \$0.39 until February 14, 2025. These share options had an estimated fair value of \$367,000 at grant date.

On August 17, 2020, 1,300,000 share options were granted to directors, officers and consultants of the Company with 1,100,000 options to acquire the Company's shares at an exercise price of \$0.46 until August 20, 2025 and 200,000 options to acquire the Company's shares at an exercise price of \$0.46 until August 20, 2022. These share options had an estimated fair value of \$371,000 at grant date.

The fair value of share options granted in the year ended December 31, 2020 was calculated using the following assumptions:

	Number of Options Granted			
	14-Feb-20	20-Aug-20	20-Aug-20	11-Dec-20
	1,300,000	1,100,000	200,000	4,425,000
Grant date share price	\$ 0.380	\$ 0.395	\$ 0.395	\$ 0.330
Exercise price	\$ 0.39	\$ 0.46	\$ 0.46	\$ 0.33
Expected volatility	100%	100%	75%	100%
Expected option life	5 years	5 years	2 years	5 years
Expected dividend yield	0%	0%	0%	0%
Risk-free interest rate	1.37%	0.37%	0.28%	0.44%

## 17. SHARE-BASED PAYMENT RESERVE (continued)

### *Fair value of share options granted in the year ended December 31, 2019*

On June 18, 2019, 3,400,000 options were granted to directors, officers and consultants of the Company to acquire the Company's common shares at an exercise price of \$0.20 until June 18, 2024. These options had an estimated fair value of \$332,000 at grant date.

On December 27, 2019, 5,000,000 options were granted to directors, officers and consultants of the Company to acquire the Company's common shares at an exercise price of \$0.29 until December 27, 2024. These options had an estimated fair value of \$1,102,000 at grant date.

The fair value of options granted in the year ended December 31, 2019 was calculated using the following assumptions:

	Number of Options Granted	
	June 18, 2019	December 31, 2019
	3,400,000	5,000,000
Grant date share price	\$ 0.140	\$ 0.295
Exercise price	\$ 0.20	\$ 0.30
Expected volatility	100%	100%
Expected option life	5 years	5 years
Expected dividend yield	0%	0%
Risk-free interest rate	1.32%	1.62%

The options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on comparable companies, an expected dividend yield, and a risk free interest rate, as noted in the table above.

The share options were priced using the Black-Scholes option-pricing model as at the date of the grant assuming a five year term to maturity with an expected volatility based on comparable companies and the Company's own stock price, an expected dividend yield, and a risk free interest rate, as noted in the table above. Where relevant, the expected life used in the model has been adjusted based on management's estimation.

### **Movements in Share Options During the Period**

The following reconciles the share options outstanding for the year ended December 31, 2020 and 2019:

Balance as at December 31, 2018	818,750	\$	0.52
Granted	8,400,000	\$	0.26
Forfeited	(187,500)	\$	0.60
Balance as at December 31, 2019	9,031,250	\$	0.27
Granted	7,025,000	\$	0.37
Exercised	(75,000)	\$	0.24
Expired	(93,750)	\$	0.52
Forfeited	(318,750)	\$	0.47
Balance as at December 31, 2020	15,568,750	\$	0.31

## 17. SHARE-BASED PAYMENT RESERVE (continued)

### Restricted Share Units

The Restricted Share Unit Plan (RSU Plan) provides for the grant of restricted share units (each, an “RSU”) convertible into a maximum number of common shares equal to ten percent (10%) of the number of common shares then issued and outstanding, provided, however, the number of common shares reserved for issuance from treasury under the RSU Plan and pursuant to all other security-based compensation arrangements of the Company shall, in the aggregate, not exceed ten percent (10%) of the number of common shares then issued and outstanding. Any common shares subject to a RSU which has been cancelled or terminated in accordance with the terms of the RSU Plan without settlement will again be available under the RSU Plan. When vested, each RSU entitles the holder to receive, subject to adjustments as provided for in the RSU Plan, one common Share or payment in cash for the equivalent thereof based on the volume weighted average trading price of the common shares on the five trading days immediately preceding the redemption date. The terms and conditions of vesting (if applicable) of each grant are determined by the Board at the time of the grant, subject to the terms of the RSU Plan. RSU awards may, but need not, be subject to performance incentives to reward attainment of annual or long-term performance goals. Any such performance incentives or long term performance goals are subject to determination by the Board and specified in the award agreement.

The Company uses the fair value method to recognize the obligation and compensation expense associated with the RSUs. The fair value of RSUs issued is determined on the grant date based on the market price of the common shares on the grant date multiplied by the number of RSUs granted. The fair value is expensed over the vesting term. Upon redemption of the RSU the carrying amount is recorded as an increase in common share capital and a reduction in the liability.

The following table summarizes changes in the number of RSUs outstanding:

	Number of RSU's	Weighted average fair value
Balance, December 31, 2018	-	\$ -
Granted	100,000	\$ 0.14
Balance, December 31, 2019	100,000	\$ 0.14
Granted	780,000	\$ 0.33
Exercised	(41,220)	\$ 0.14
Balance, December 31, 2020	838,780	\$ 0.33

### RSU liability:

As at December 31, 2020 a liability of \$8,619 has been recorded for RSUs.

## 17. SHARE-BASED PAYMENT RESERVE (continued)

The following table summarizes information about share-based payment reserve:

Balance as at December 31, 2018	\$	298,895
Share-based expense - options		1,434,000
Share-based expense - RSU's		14,000
Expiry of stock options		(84,851)
Balance as at December 31, 2019	\$	1,662,044
Share-based expense - options		1,819,000
Exercise of stock options		(8,000)
Exercise of RSU's		(5,771)
Expiry of stock options		(44,435)
Balance as at December 31, 2020	\$	3,422,838

## 18. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at December 31, 2020 and December 31, 2019 were as follows:

	Fair value through profit of loss	Amortized cost	Other financial liabilities	Total
<b>As at December 31, 2020</b>				
Cash and cash equivalents	\$ -	\$ 24,974,407	\$ -	\$ 24,974,407
Reclamation deposits	-	1,190,000	-	1,190,000
Accounts payable and accrued liabilities	-	-	2,123,784	2,123,784
Leases payable	-	-	692,181	692,181
Equipment loans payable	-	-	-	-
<b>As at December 31, 2019</b>				
Cash and cash equivalents	\$ -	\$ 9,702,490	\$ -	\$ 9,702,490
Marketable securities	-	-	-	-
Reclamation deposits	-	75,437	-	75,437
Accounts payable and accrued liabilities	-	-	1,323,399	1,323,399
Leases payable	-	-	216,213	216,213
Equipment loans payable	-	-	127,279	127,279

The Company classifies its financial instruments carried at fair value according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

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

The carrying value of cash and cash equivalents, reclamation deposits, accounts payable and accrued liabilities and leases and loan payables approximate fair value because of the limited terms of these instruments.

## 19. RELATED PARTY DISCLOSURES

The following is a summary of the Company's related party transactions during the years ended December 31, 2020 and 2019:

The Company incurred administrative and operations costs in the amount of \$30,934 for the year ended December 31, 2020 (2019 - \$88,491) paid to Sable Resources Ltd., a company with certain common directors and officers.

The Company incurred operations costs in the amount of \$126,328 for the year ended December 31, 2020 (2019 - \$nil) paid to JDS Energy & Mining Inc., a company with certain common directors.

### Compensation of Key Management Personnel of the Company

In accordance with IAS 24, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the compensation committee.

The remuneration of directors and other members of key management personnel during the years ended December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
Short term employee benefits, director fees	\$ 1,979,181	\$ 665,633
Share based payments	1,189,000	1,195,000
	<u>\$ 3,168,181</u>	<u>\$ 1,860,633</u>

As at December 31, 2020, an amount of \$279,973 (December 31, 2019 - \$91,852) due to key management personnel, was included in accounts payable and accrued liabilities. This amount is unsecured, non-interest bearing and without fixed terms of repayment.

## 20. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support its operations. The capital of the Company consists of issued capital, warrant reserve and share-based payment reserve. 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.

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 no changes in the Company's approach to capital management in the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

## 21. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on the Company's financial instruments are summarized below. There have been no material changes in the risks, objectives, policies and procedures from the previous period.

### Credit Risk

The Company's credit risk is primarily attributable to cash and cash equivalents. Management believes that the credit risk concentration with respect to the cash and cash equivalents is minimal.

### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. As at December 31, 2020, the Company had a cash and cash equivalents balance of \$24,974,407 (December 31, 2019 - \$9,702,490) as well as marketable securities of \$nil (December 31, 2019 - \$nil) to settle current liabilities of \$2,401,719 (December 31, 2019 - \$1,545,971). Working capital for the Company as at December 31, 2020 was \$23,420,863 (December 31, 2019 - \$8,603,385).

The maturity profiles of the Company's contractual obligations as at December 31, 2020, are summarized as follows:

	Total	Less than 1 Year	1 to 5 Years	More than 5 Years
Accounts payable and accrued liabilities	\$ 2,123,784	\$ 2,123,784	\$ -	\$ -
Leases obligations	770,110	315,534	454,576	-
Provision for site reclamation and closure	14,530,992	-	-	14,530,992
<b>Total</b>	<b>\$ 17,424,886</b>	<b>\$ 2,439,318</b>	<b>\$ 454,576</b>	<b>\$ 14,530,992</b>

### Market Risk

#### (a) Foreign Currency Risk

The Company's reporting currency is the Canadian dollar. The functional currency of the Company is the Canadian dollar.

Based on the foreign currency balances at December 31, 2020, a 10% change in foreign exchange rates between the Canadian dollar and these foreign currencies over the next year would affect net income by approximately \$10,000 (2019 - \$1,000). This analysis only addresses the impact on financial instruments with respect to currency movement and excludes other economic or geo-political implications of such currency fluctuation. In practice, actual results will likely differ from this analysis and the difference may be material.

## 21. FINANCIAL RISK FACTORS (continued)

The exposure of the Company's financial assets, including marketable securities as at December 31, 2020 is as follows:

	CDN Dollar	US Dollar	Total (in CDN dollars)
<b>Financial assets</b>			
Cash and cash equivalents	\$ 24,968,787	\$ 5,620	\$ 24,974,407
Amounts receivable	345,767	-	345,767
Reclamation deposits	1,190,000	-	1,190,000
Total	\$ 26,504,554	\$ 5,620	\$ 26,510,174
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities	\$ 2,048,378	\$ 75,406	\$ 2,123,784
Leases payable	692,181	-	692,181
	\$ 2,740,559	\$ 75,406	\$ 2,815,965

### (b) Commodities Price Risk

The Company is exposed to price risk with respect to commodity prices. 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 prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

## 22. COMMITMENTS AND CONTINGENCIES

### Flow-Through Shares

As at December 31, 2020, the Company is committed to spending approximately \$11,000,000 to be spent by December 31, 2021 in connection with its flow-through offerings (December 31, 2019 - \$3,158,000). On July 7, 2020, the Department of Finance proposed to extend the flow-through funds spend period and the look-back rule by one year, including extending the filing requirement for the Part XII.6 tax for the same period. Proposed amendments to enact these proposals were published on December 16, 2020, but have not been enacted as of December 31, 2020. Assuming the extension will be enacted as proposed, the Corporation is required to spend \$11,000,000 of flow-through funds by December 31, 2022. If the extension is not finalized by the Department of Finance, the dates for the flow-through spend requirements will be moved up by one year.

Due to the size, complexity and nature of the Company's operations, various legal, tax, environmental and regulatory matters are outstanding from time to time. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

### 23. INCOME TAXES

#### (a) Income Tax Recovery

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.5% (December 31, 2019 – 26.5%) are as follows:

	<b>December 31, 2020</b>	December 31, 2019
Loss from continuing operations before income taxes	\$ (16,228,051)	\$ (5,015,024)
Expected income tax recovery based on statutory rate	\$ (4,381,574)	\$ (1,354,057)
Adjustments to benefit resulting from:		
Non deductible expenses	504,571	394,213
Release of flow through premium liability	(494,000)	-
Flow through renunciation	1,105,820	-
Other	-	45,428
Utilization of previously unrecognized loss carryforwards	2,771,183	914,416
Income tax recovery	\$ (494,000)	\$ -

#### (b) Deferred Tax Balance

Deferred tax assets have not been recognized in respect of the following temporary differences:

	<b>December 31, 2020</b>	December 31, 2019
Non-capital losses	\$ 40,020,992	\$ 27,288,874
Property, plant and equipment	7,304,362	2,365,242
Un-deducted financing costs	2,218,003	342,711
Provision for site reclamation and closure	398,066	16,198
Capital losses	1,713,205	6,969,913
	\$ 51,654,628	\$ 36,982,938

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company will be able to use these benefits.



### 23. INCOME TAXES (continued)

#### (c) Non-capital Loss Balance

As at December 31, 2020, the Company has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses, and when they expire, is provided below:

2026	1,317,000
2027	1,136,000
2028	1,364,000
2029	821,000
2030	1,743,000
2031	2,330,000
2032	4,674,000
2033	2,374,000
2034	2,911,000
2035	1,094,000
2036	1,124,000
2037	546,000
2038	1,986,000
2039	2,957,000
2040	17,239,000
	43,616,000

### 24. EVENTS AFTER THE REPORTING PERIOD

#### Private Placement:

On March 25, 2021 the Company announced a non-brokered private placement to raise total gross proceeds of up to \$19.1 million (the "Offering"). The Offering will consist of up to 37,366,932 common shares of the Company, which qualify as "flow-through shares" within the meaning of the *Income Tax Act* (Canada) (the "FT Shares"), at a price of \$0.51 per FT Share. The Offering is expected to close on or about April 15, 2021 and is subject to the approval of the Toronto Stock Exchange.

#### Strategic Investment:

Immediately following the completion of the Offering, it is expected that New Gold Inc. ("New Gold"), will acquire 37,366,932 common shares, which will provide New Gold with a 14.9% interest in the Company on a pro forma basis.

In anticipation of New Gold acquiring its interest, New Gold and Talisker have entered into an investor rights agreement (the "Investor Rights Agreement") which provides that the rights provided to New Gold shall become effective upon the date that New Gold has acquired a 14.9% interest in the Company (the "Effective Date").

Pursuant to the Investor Rights Agreement, during the period commencing on the Effective Date and ending on the date on which New Gold's ownership is less than 10% of the issued and outstanding common shares of Talisker, New Gold will have the right, among other things, to:

- Have a nominee appointed to the board of directors of Talisker (the "Board") and have such nominee nominated for election at the Company's meetings of shareholders. If the size of the Board is increased to eight or more members, New Gold shall be entitled to designate an additional nominee.

#### **24. EVENTS AFTER THE REPORTING PERIOD (continued)**

- Participate on a pro rata basis in equity financings by Talisker in order to maintain its 14.9% interest in Talisker. In addition, New Gold will have certain top-up rights that will allow it to maintain its interest in the event of other dilutive events undertaken by Talisker.
- Certain information and access rights to the Company's properties.

In return for these rights, New Gold has agreed to, among other things:

- For a period of 24 months, ensure it is present at shareholder meetings of the Company and, subject to certain exceptions, not vote against matters that have been unanimously approved by the Board.
- Certain restrictions on disposing its interest in Talisker.
- A 24-month standstill which will prohibit New Gold from taking certain actions, including acquiring more than 14.9% of the issued and outstanding common shares of Talisker, subject to certain exceptions.