



# **MARITIME RESOURCES**

**MARITIME RESOURCES CORP.**

**AUDITED FINANCIAL STATEMENTS**

**For the years ended December 31, 2020 and 2019**

(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Maritime Resources Corp.

### *Opinion*

We have audited the accompanying financial statements of Maritime Resources Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

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

### *Other Information*

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

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

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

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

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



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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

April 21, 2021

**STATEMENTS OF FINANCIAL POSITION**

As at (in Canadian dollars)	Note	December 31 2020 \$	December 31 2019 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash	4	6,418,616	1,827,157
Receivables	5	340,039	161,546
Prepaid expenses and deposits	6	116,286	120,199
		<b>6,874,941</b>	2,108,902
Property and equipment	7	74,394	41,159
Deferred acquisition costs	7,16	277,256	-
Deposits	8	298,730	-
Exploration and evaluation assets	8	18,631,532	11,926,382
<b>Total Assets</b>		<b>26,156,853</b>	14,076,443
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9,12	1,015,603	453,070
Flow-through premium liability	11	203,613	47,599
Current portion of lease liability	10	23,532	10,362
		<b>1,242,748</b>	511,031
Lease liability	10	19,620	-
<b>Total Liabilities</b>		<b>1,262,368</b>	511,031
<b>Shareholders' equity</b>			
Share capital	11	33,399,928	20,568,204
Reserves	11	1,971,293	2,306,044
Royalty reserve	11	210,700	210,700
Deficit		(10,687,436)	(9,519,536)
<b>Total Shareholders' Equity</b>		<b>24,894,485</b>	13,565,412
<b>Total Liabilities and Shareholders' Equity</b>		<b>26,156,853</b>	14,076,443

Nature of operations and going concern (Note 1) and Subsequent events (Note 16).

*Approved and authorized on behalf of the Board of Directors:*

*"John P. Hayes"*

Chairman

*"Mark N.J. Ashcroft"*

Director

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

**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

<b>For the years ended December 31</b>		<b>2020</b>	2019
(in Canadian dollars)	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>			
Salaries and benefits	12	<b>746,380</b>	516,376
Administration	12	<b>196,020</b>	243,713
Consulting	12	<b>10,510</b>	28,000
Directors' fees and expenses	12	<b>79,856</b>	77,555
Investor relations and promotion		<b>288,661</b>	194,780
Professional fees		<b>65,956</b>	101,912
Severance	12	-	992,497
Share-based payments	11,12	<b>469,729</b>	330,348
Depreciation	7	<b>27,049</b>	63,976
Interest expense on lease liability	10	<b>138</b>	3,178
		<b>(1,884,299)</b>	(2,552,335)
Interest income		<b>22,062</b>	62,829
Recognition of flow-through premium liability	11	<b>563,401</b>	483,972
		<b>585,463</b>	546,801
<b>Loss and comprehensive loss for the year</b>		<b>(1,298,836)</b>	(2,005,534)
<b>Basic and diluted loss per common share</b>		<b>(0.01)</b>	(0.01)
<b>Weighted average number of common shares outstanding</b>		<b>247,324,016</b>	173,255,283

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

**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

	Shares	Share capital	Reserves	Royalty reserve	Deficit	Total
(in Canadian dollars)	#	\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>131,953,807</b>	<b>15,063,535</b>	<b>2,278,901</b>	<b>210,700</b>	<b>(7,616,293)</b>	<b>9,936,843</b>
Issued for private placements (Note 11)	56,896,662	6,092,499	-	-	-	6,092,499
Share issuance costs (Note 11)	-	(468,161)	-	-	-	(468,161)
Finders' warrants (Note 11)	-	(126,562)	126,562	-	-	-
Flow-through premium liability (Note 11)	-	(402,833)	-	-	-	(402,833)
Issued for mineral properties (Note 8,11)	975,000	82,250	-	-	-	82,250
Warrant expiry (Note 11)	-	327,476	(327,476)	-	-	-
Share-based payment (Note 11)	-	-	330,348	-	-	330,348
Reserves transferred on expired options (Note 11)	-	-	(102,291)	-	102,291	-
Loss for the year	-	-	-	-	(2,005,534)	(2,005,534)
<b>Balance, December 31, 2019</b>	<b>189,825,469</b>	<b>20,568,204</b>	<b>2,306,044</b>	<b>210,700</b>	<b>(9,519,536)</b>	<b>13,565,412</b>
Issued for private placements (Note 11)	109,877,292	12,205,133	-	-	-	12,205,133
Issued for warrant exercises (Note 11)	9,606,608	1,791,657	(436,777)	-	-	1,354,880
Issued for stock option exercises (Note 11)	825,000	170,230	(67,730)	-	-	102,500
Shares issued for advisory fees (Note 11)	150,000	24,000	-	-	-	24,000
Share issuance costs (Note 11)	-	(988,686)	-	-	-	(988,686)
Finders' warrants (Note 11)	-	(275,280)	275,280	-	-	-
Finders' shares (Note 11)	666,864	60,018	-	-	-	60,018
Flow-through premium liability (Note 11)	-	(719,415)	-	-	-	(719,415)
Issued for mineral properties (Note 8,11)	1,050,000	119,750	-	-	-	119,750
Warrant expiry (Note 11)	-	444,317	(444,317)	-	-	-
Share-based payment (Note 11)	-	-	469,729	-	-	469,729
Reserves transferred on expired options (Note 11)	-	-	(130,936)	-	130,936	-
Loss for the year	-	-	-	-	(1,298,836)	(1,298,836)
<b>Balance, December 31, 2020</b>	<b>312,001,233</b>	<b>33,399,928</b>	<b>1,971,293</b>	<b>210,700</b>	<b>(10,687,436)</b>	<b>24,894,485</b>

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

**STATEMENTS OF CASH FLOWS**

<b>For the years ended December 31</b>	<b>2020</b>	<b>2019</b>
(in Canadian dollars)	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the year	<b>(1,298,836)</b>	(2,005,534)
Items not involving cash:		
Share-based payment	<b>469,729</b>	330,348
Depreciation	<b>27,049</b>	63,976
Advisory fees	<b>24,000</b>	-
Flow-through premium recovery	<b>(563,401)</b>	(483,972)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	<b>(164,968)</b>	(96,498)
(Increase) decrease in accrued interest receivable	<b>(13,525)</b>	(24,095)
(Increase) decrease in prepaid expenses	<b>3,913</b>	(74,040)
Increase (decrease) in accounts payable and accrued liabilities	<b>18,635</b>	10,809
<b>Net cash provided by (used in) operating activities</b>	<b>(1,497,404)</b>	<b>(2,279,006)</b>
<b>Cash flows from investing activities</b>		
Exploration and evaluation expenditures	<b>(6,423,032)</b>	(3,847,718)
Deferred acquisition costs	<b>(277,256)</b>	-
Recoveries and grant	<b>82,800</b>	65,250
Property and equipment expenditures	<b>(13,210)</b>	(30,451)
<b>Net cash provided by (used in) investing activities</b>	<b>(6,630,698)</b>	<b>(3,812,919)</b>
<b>Cash flows from financing activities</b>		
Proceeds from private placement	<b>12,205,133</b>	6,092,499
Proceeds from exercise of warrants	<b>1,354,880</b>	-
Proceeds from exercise of options	<b>102,500</b>	-
Share issue costs	<b>(928,668)</b>	(468,161)
Repayment of lease liability	<b>(14,284)</b>	(64,322)
<b>Net cash provided by (used in) financing activities</b>	<b>12,719,561</b>	<b>5,560,016</b>
<b>Change in cash during the year</b>	<b>4,591,459</b>	<b>(531,909)</b>
<b>Cash, beginning of the year</b>	<b>1,827,157</b>	<b>2,359,066</b>
<b>Cash, end of the year</b>	<b>6,418,616</b>	<b>1,827,157</b>
<b>Supplemental disclosure</b>		
Cash paid for interest	<b>138</b>	3,178
<b>Supplemental disclosure of non-cash financial and investing activities</b>		
Recognition of right of use asset and lease liability	<b>47,074</b>	74,684
Fair value of finders' shares and warrants	<b>275,280</b>	126,562
Expiry of stock options	<b>130,936</b>	102,291
Expiry of warrants	<b>444,317</b>	327,476
Exploration and evaluation assets included in accounts payable	<b>926,411</b>	382,513
Fair value allocation of options and warrants exercised	<b>504,507</b>	-
Flow-through share premium	<b>719,415</b>	402,833
Shares issued for property	<b>119,750</b>	82,250
Shares issued to advisors	<b>60,018</b>	-

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



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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#### 1. NATURE OF OPERATIONS AND GOING CONCERN

Maritime Resources Corp. (the “Company” or “Maritime”) was incorporated under the Business Corporations Act (British Columbia) on May 14, 2007. Maritime is an exploration stage company focused on re-starting the past producing Hammerdown Gold Mine located near the Baie Verte mining district in Newfoundland and Labrador, Canada as well as exploration on its other properties in the region.

The Company’s registered and records office is 3200 - 650 West Georgia Street, Vancouver, BC, Canada, V6B 4P7. The Company also has an office in Toronto at 1900 - 110 Yonge Street, Toronto, ON, Canada, M5C 1T4. The shares of the Company are traded on the TSX Venture Exchange (“TSX-V”) under the symbol MAE.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn or recessionary conditions. To date the COVID-19 pandemic has not decreased the Company’s access to capital market financing, nor negatively impacted our business and financial position. The Company implemented strict health and safety protocols and monitors and adheres to government and medical guidelines. Maritime will continue to assess the impact of COVID-19 which remains a risk that could have material negative effects on our business or financial position in the future.

These financial statements have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. Although it has been successful in raising financing in the past, there is no assurance it will be able to do so in the future. The Company estimates that, with its most recent financing, it has sufficient working capital to continue as a going concern beyond one year.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

#### 2. STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

These financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The financial statements have been prepared using the historical cost basis, except for financial instruments which are stated at fair value and have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified. The accounting policies have been applied consistently to all years presented in these financial statements, unless otherwise indicated.

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





## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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#### Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments exercised in the application of accounting policies having the most significant effects on the amounts recognized in the financial statements are as follows:

*Economic recoverability and profitability of future economic benefits of exploration and evaluation assets* – Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits, including geological and other technical information, a history of conversion of mineral deposits with similar characteristics to its properties, evaluation of permitting and environmental issues and other such factors.

*Royalty reserve* - Royalty reserve includes proceeds received from royalty units, repayable from future production. As future production is not determinable, the royalty units have been classified as capital in nature.

*Going concern* - The Company assesses its ability to continue as a going concern at each period end. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least twelve months from the end of the reporting period and include a detailed analysis of the Company's projected estimated capital and operating expenses and estimated financing requirements and abilities (see Note 1).

The most significant accounts that require estimates as the basis for determining the stated amounts include the following:

*Valuation of share-based payments, broker compensation and finders' warrants* – The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments, agent compensation and finders' warrants, which requires the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's results and equity reserves. The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable.

*Income taxes* – In assessing the probability of realizing deferred tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operation and cash flows.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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#### 3. SIGNIFICANT ACCOUNTING POLICIES

**(a) Functional and presentation currency**

The Company's functional and presentation currency is the Canadian dollar.

**(b) Segmented information**

The Company has one operating segment, mineral exploration and evaluation, and operates in one geographical segment, being Canada.

**(c) Cash**

Cash includes cash and highly liquid investments in the form of demand term deposits, Government of Canada treasury bills, and Guaranteed Investment Certificates, denominated in US dollars and Canadian dollars, with investment terms that are less than 90 days at the time of acquisition. These investments are stated at cost plus accrued interest, which approximate their fair value.

**(d) Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and amortization and any impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period in which they are incurred.

Property and equipment will be depreciated using the straight-line method over their estimated useful lives.

The assets' residual values, method of depreciation and useful lives, are reviewed annually and modified if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in profit or loss.

**(e) Exploration and evaluation assets ("E&E")**

Once the legal right to explore a property has been obtained, costs directly related to E&E expenditures are recognized and capitalized, in addition to the acquisition costs, net of recoveries, on a property-by-property basis. These direct expenditures include such costs as materials used, surveying costs, geology, geophysics and drilling costs and payments made to contractors during the exploration phase. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments and government assistance are recorded as property costs or recoveries when the payments are made or received.

Upon completion of a feasibility study and when commercial viability is demonstrated and an impairment test is performed, capitalized exploration and evaluation assets are transferred to and classified as mineral property development costs. Costs associated with the commissioning of new assets incurred in the period before they are



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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operating in the way intended by management, are capitalized. Development costs are net of the proceeds of the sale of metals from ore extracted during the development phase. Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, E&E expenditures in respect of the project are deemed to be impaired. Accordingly, E&E costs, in excess of estimated recoveries, are written off to profit or loss.

#### ***Impairment***

The Company assesses E&E assets for impairment at each statement of financial position date or whenever facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. A cash-generating unit is the smallest identifiable group of E&E assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

#### ***Title to mineral properties***

Although the Company has taken steps to verify title to the properties in which it has an interest in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee that title to the properties will not be challenged or impugned. Property title may be affected by undetected defects, be subject to unregistered prior agreements, transfers or land claims, or be non-compliant with regulatory requirements.

#### **(f) Provision for environmental rehabilitation**

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and evaluation on the resource properties, the potential for production on the properties may be diminished or negated.

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates, using a pre-tax rate, that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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The increase in the provision due to the passage of time is recognized as interest expense. The Company does not have any significant environmental rehabilitation provision.

#### (g) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

#### (h) Financial instruments

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### **Financial assets**

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables and deposits are measured at amortized cost with subsequent impairment recognized in profit or loss. Cash is classified as FVTPL.

#### **Impairment**

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### **Financial liabilities**

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, and loans are classified as amortized cost.

As at December 31, 2020, the Company does not have any derivative financial liabilities.

#### **(i) Leases**

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

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance 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 under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are allocated between the lease liability and interest expense. Interest expense is charged to profit or 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.

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



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

#### **(j) Income taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### **(k) Share-based payments**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its discretion and at prices not less than the closing market price on the grant date.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the period during which the options are earned. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. The fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

The Company grants compensation warrants to agents and underwriters for services provided. The equity-based share-based payment transactions are measured at the fair value of 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. Consideration received on exercise of the compensation warrants is recorded as share capital and the related warrant reserve is transferred to share capital. Upon expiry, the recorded value is transferred to share capital.

#### **(l) Flow-through shares, private placement units, royalty units and treasury shares**

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e., the “flow-through share premium”) as follows:

- Share capital – the market value of the share.
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature based on the residual value method.
- Warrants – recorded as reserves based on the residual value method.

Thereafter, as qualifying resource expenditures are incurred, these costs are expensed and the flow-through share premium is amortized to profit or loss on a pro-rata basis.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued and recorded to profit or loss.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to the flow-through tax premium, if any and thereafter to warrants.

Royalty units are recorded as reserves based on their fair value (amounts received).

Treasury shares (repurchased shares) are valued at the cost paid to repurchase until sold or returned to treasury. As they are no longer considered outstanding, they are excluded from the weighted average number of shares outstanding in calculating the loss per share.

#### (m) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to re-purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of conversions or exercise of options and warrants as they would be anti-dilutive.

Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

#### 4. CASH

	December 31, 2020	December 31, 2019
	\$	\$
Cash	4,418,616	82,157
Guaranteed Investment Certificate – Fully redeemable	2,000,000	1,745,000
	<b>6,418,616</b>	<b>1,827,157</b>

#### 5. RECEIVABLES

	December 31, 2020	December 31, 2019
	\$	\$
Input sales tax recoverable	326,271	137,208
Interest and other receivables	13,768	24,338
	<b>340,039</b>	<b>161,546</b>

#### 6. PREPAID EXPENSES AND DEPOSITS

	December 31, 2020	December 31, 2019
	\$	\$
Prepaid expenses	30,287	15,454
Deposits	85,999	104,745
	<b>116,286</b>	<b>120,199</b>



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

#### 7. PROPERTY AND EQUIPMENT

	Right of use			
	asset	Furniture	Vehicles	Total
	\$	\$	\$	\$
<b>Net book value – December 31, 2018</b>	-	-	-	-
Additions	106,720	-	30,451	137,171
Less: Reduction in value due to reduced lease payments	(32,036)	-	-	(32,036)
Depreciation	(59,747)	-	(4,229)	(63,976)
<b>Net book value – December 31, 2019</b>	<b>14,937</b>	-	<b>26,222</b>	<b>41,159</b>
Additions	47,074	13,210	30,451	60,284
Depreciation	(16,898)	-	(10,151)	(27,049)
<b>Net book value – December 31, 2020</b>	<b>45,113</b>	<b>13,210</b>	<b>16,071</b>	<b>74,394</b>

During the year ended December 31, 2020, the Company purchased furniture for its new site office location in Newfoundland and Labrador, and during 2019 purchased two vehicles for use at its exploration properties. During the year ended December 31, 2019, there was a reduction in the monthly lease payments relating to the Company's right of use ("ROU") asset and related lease liability.

#### 8. EXPLORATION AND EVALUATION ASSETS

##### Green Bay

The Company's Green Bay property, located in Newfoundland and Labrador, Canada hosts the past producing Hammerdown gold mine, as well as the Orion deposit and the Lochinvar deposits. On September 17, 2020, the Company exercised an early buy-down right of one-half of the Hammerdown deposit royalty held by Commander Resources Ltd. ("Commander") for \$750,000. Commander retains a 1% net smelter return royalty ("NSR") over the Hammerdown deposit and surrounding lands which excludes the Orion Deposit. Allowed deductions in calculating the NSR include transportation costs and toll milling charges.

On May 16, 2018, the Company entered into an option agreement to earn 100% in the Inomin property consisting of certain mineral claims that extend the Green Bay property, under the following terms:

	Cash	Common shares
	\$	#
Upon approval	25,000 (paid)	500,000 (issued)
September 17, 2019	50,000 (paid)	500,000 (issued)
September 17, 2020	100,000 (paid)	500,000 (issued)
September 17, 2021	125,000	500,000
	<b>300,000</b>	<b>2,000,000</b>

The Inomin property is subject to a 1.0 % NSR of which 100% can be purchased for \$500,000. The project also has an underlying NSR of 2.5% of which 1.5% can be purchased for \$1,000,000.





## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

On January 22, 2020, the Company entered into an option agreement to earn a 100% interest in the Spruce Pond property, which is contiguous to the Hammerdown project, under the following terms:

	Cash \$	Common shares #
Upon approval	10,000 (paid)	250,000 (issued)
March 10, 2021 <sup>(1)</sup>	20,000	250,000
March 10, 2022	30,000	250,000
	<b>60,000</b>	<b>750,000</b>

<sup>(1)</sup> Subsequent to December 31, 2020, the Company made the first anniversary payment in cash and shares as per the Spruce Pond Option agreement.

The Spruce Pond property is subject to a 1.0 % NSR of which 50% can be purchased for \$500,000.

#### Whisker Valley

On February 27, 2017, the Company entered into an agreement to acquire a 100% interest in the Whisker Valley property in the Baie Verte mining district of Newfoundland and Labrador, Canada, under the following terms:

	Cash \$	Common shares #
Upon approval	25,000 (paid)	100,000 (issued)
March 22, 2018	20,000 (paid)	150,000 (issued)
March 22, 2019	30,000 (paid)	200,000 (issued)
March 22, 2020	50,000 (paid)	250,000 (issued)
March 22, 2021 <sup>(1)</sup>	75,000	300,000
March 22, 2022	100,000	500,000
	<b>300,000</b>	<b>1,500,000</b>

<sup>(1)</sup> Subsequent to December 31, 2020, the Company made the fourth anniversary payment in cash and shares as per the Whisker Valley Option agreement.

The Company is required to make an additional payment to the optionors of \$50,000 on each of the first, second and third anniversary upon full exercise of its option, having issued all of the payments and shares and incurred all of the expenditures. The property is subject to a 2.5 % NSR, of which 1% can be purchased for \$1,000,000 on or before the end of the second anniversary of commencement of commercial production.

On December 27, 2020, the Company exercised its option in full to acquire 100% interest in the Strugglers Pond property in Newfoundland and Labrador, Canada (contiguous to Whisker Valley), for aggregate cash payments of \$30,000 and 100,000 shares with an aggregate fair value of \$11,350 over a period of three years. The Company has the option of buy-back one-half of the 2% NSR royalty for \$1,000,000 on or before the end of the second anniversary of commercial production.

On November 23, 2019, the Company exercised its option in full to acquire 100% interest in the El Strato property in Newfoundland and Labrador, Canada (contiguous to Whisker Valley), for aggregate cash payments of \$40,000 and 750,000 shares with an aggregate fair value of \$61,250 over a period of two years. The Company has the option of buy-back one-half of the 2% NSR royalty for \$1,000,000 on or before the end of the second anniversary of commercial production.

The Strugglers Pond and El Strato properties are subject to separate 2% NSR royalties, of which 1% can be purchased for \$1,000,000 on or before the end of the second anniversary of commercial production.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

#### Gull Ridge

In January 2019, the Company acquired the new Gull Ridge property claims by staking.

#### Deposits

The Company has provided deposits totalling \$298,730 (2019 - \$nil) to vendors as advance payments for services to be provided on the Green Bay, Whisker Valley and Gull Ridge properties.

Expenditures incurred on the Company's Green Bay, Whisker Valley and Gull Ridge properties, follow:

	Green Bay \$	Whisker Valley \$	Gull Ridge \$	Total \$
<b>Balance, December 31, 2018</b>	<b>7,154,416</b>	<b>586,428</b>	-	<b>7,740,844</b>
Acquisition costs – cash	50,765	80,320	3,870	134,955
Acquisition costs – shares	42,500	39,750	-	82,250
Exploration expenses:				
Drilling and assaying	851,326	141,910	7,329	1,000,565
Geology	710,573	773,197	32,570	1,516,340
Property	52,257	-	-	52,257
Geophysics	217,863	65,765	25,238	308,866
Pre-feasibility study update	1,155,555	-	-	1,155,555
	3,080,839	1,100,942	69,007	4,250,788
Less: Recoveries and grants	(65,250)	-	-	(65,250)
Net additions	3,015,589	1,100,942	69,007	4,185,538
<b>Balance, December 31, 2019</b>	<b>10,170,005</b>	<b>1,687,370</b>	<b>69,007</b>	<b>11,926,382</b>
Acquisition costs – cash	861,880	58,500	-	920,380
Acquisition costs – shares	98,750	21,000	-	119,750
Exploration expenses:				
Drilling and assaying	2,480,668	481,489	-	2,962,157
Geology	886,689	359,648	1,994	1,248,331
Geophysics	38,522	-	-	38,552
Property	100,381	13,395	-	113,776
Pre-feasibility study update	1,314,025	-	-	1,314,025
Permitting	70,979	-	-	70,979
	5,851,924	934,032	1,994	6,787,950
Less: Recoveries and grants	(82,800)	-	-	(82,800)
Net additions	5,769,124	934,032	1,994	6,705,150
<b>Balance, December 31, 2020</b>	<b>15,939,129</b>	<b>2,621,402</b>	<b>71,001</b>	<b>18,631,532</b>

During the year ended December 31, 2020, the Company received \$82,800 (2019 - \$65,250) pursuant to an application made with the Government of Newfoundland and Labrador in respect of the Newfoundland and Labrador Mineral Incentive Junior Exploration Assistance Program (JEAP) grant for exploration conducted during 2019 and 2018, respectively.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

#### 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	December 31, 2019
	\$	\$
Accounts payable	943,176	364,396
Accrued liabilities	54,927	71,174
Due to related parties (Note 12)	17,500	17,500
	<b>1,015,603</b>	<b>453,070</b>

#### 10. LEASE LIABILITY

	Lease liability
	\$
<b>Balance – December 31, 2018</b>	-
Lease liability recognized as of January 1, 2019	106,720
Reduced lease liability due to reduction in lease payments	(32,036)
Lease payments during the year	(67,500)
Interest expense on lease liability	3,178
<b>Balance – December 31, 2019</b>	10,362
Lease liability recognized during the year	47,074
Lease payments during the year	(14,422)
Interest expense on lease liability	138
<b>Balance – December 31, 2020</b>	<b>43,152</b>
<b>Current portion</b>	<b>23,532</b>
<b>Long term portion</b>	<b>19,620</b>

As at March 31, 2020, the Company's office lease was terminated and there are no further obligations under the lease.

During the year ended December 31, 2020, the Company incurred operating lease costs of \$48,859 (2019 – \$37,576) for an office lease not included in lease liabilities. During the year ended December 31, 2019, there was a reduction in monthly lease payments and accordingly the lease liability was reduced by \$32,036.

#### 11. SHARE CAPITAL

##### Authorized

Unlimited number of common shares without par value.

##### Issued

##### During the year ended December 31, 2020

##### Private Placements

- Pursuant to a "bought deal" private placement which closed on August 21, 2020, the Company issued of a combination of 43,367,550 common shares of the Company at a price of \$0.15 per common share, and 11,000,000 common shares issued on a flow-through basis at a price of \$0.20 per flow-through share for aggregate gross proceeds of \$8,705,132.50. The flow-through shares were issued at a premium of \$550,000. Pursuant to the Company incurring eligible flow-through expenditures, the flow-through premium liability has been reduced to \$203,613 and \$346,387 was recognized into income during the year ended December 31, 2020.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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The private placement was completed by a syndicate of underwriters led by Sprott Capital Partners LP (“Sprott”) and including Dundee Goodman Merchant Partners (“DGMP”), Industrial Alliance Securities Inc., Canaccord Genuity Corp. (“CG”), Cormark Securities Inc., Stifel GMP and Raymond James Ltd. In connection with the closing of the private placement, the Company paid a cash fee of 6% totalling \$496,181 of the aggregate gross proceeds raised pursuant to the offering, with the exception of certain proceeds from the sale of offered securities to certain specified persons. The Company issued an aggregate of 3,087,873 non-transferable broker warrants, with each broker warrant being exercisable into one common share at a price of \$0.15 per share until August 21, 2022 and fair valued at \$275,280. Legal, regulatory and other cash costs associated with the private placement totalled \$258,975.

- Pursuant to a non-brokered private placement on May 14, 2020, the Company issued 21,626,666 common shares at a price of \$0.06 per common share and 33,883,076 flow-through common shares at a price of \$0.065 per flow-through common share for gross proceeds of \$3,500,000. The flow-through shares were issued at a premium of \$169,415. Pursuant to the Company incurring eligible flow-through expenditures, the flow-through premium liability has been reduced to \$nil and \$169,415 was recognized into income during the year ended December 31, 2020.

In connection with this private placement, the Company paid aggregate finders’ and advisory fees up to 5% in cash of the gross sales of common shares and flow-through common shares. An aggregate of 666,864 common shares were issued to Sprott as commission, fair valued at \$60,018. The cash finders’ and advisory fees amounted to an aggregate of \$94,518, including \$28,069 to DGMP, \$16,449 to CG, \$15,000 to EDE Asset Management and \$35,050 to Laurentian Bank Securities Inc. Legal, regulatory and other cash costs associated with the private placement totalled \$68,877.

#### Exploration and evaluation assets (Note 8)

- The Company issued 250,000 common shares valued at \$16,250 in connection with the Spruce Pond property.
- The Company issued 250,000 common shares valued at \$13,750 in connection with the Whisker Valley property.
- The Company issued 500,000 common shares valued at \$82,500 in connection with the Inomin property.
- The Company issued 50,000 common shares, valued at \$7,250, in connection with the Strugglers Pond property.

#### **Other share issuances**

9,606,608 (2019 – nil) common shares were issued upon the exercise of warrants. Cash proceeds of \$1,354,880 (2019 – \$nil) were received and the fair value of the exercised warrants of \$436,777 (2019 – \$nil) was transferred from reserves to share capital during the year ended December 31, 2020.

825,000 (2019 – nil) common shares were issued upon the exercise of stock options. Cash proceeds of \$102,500 (2019 – \$nil) were received and the fair value of the exercised options of \$67,730 (2019 – \$nil) was transferred from reserves to share capital during the year ended December 31, 2020.

On November 3, 2020, the Company issued 150,000 common shares valued at \$24,000 to CG as full consideration for financial advisory and consulting services.

#### **During the year ended December 31, 2019**

##### Private Placements

- Pursuant to a non-brokered private placement on April 24, 2019, the Company issued 36,755,000 units at a price of \$0.10 per unit and 20,141,662 flow-through units at a price of \$0.12 per flow-through unit for gross proceeds of



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

\$6,092,500. Each unit consisted of one common share and one-half of one transferable common share purchase warrant (“Warrant”). Each whole Warrant entitles the holder to acquire one common share of the Company at a price of \$0.15 per common share for a period of 24 months following the closing date of the Offering (the “NFT Warrants”). Each FT Unit consisted of one common flow-through share and one half of one transferable common share purchase warrant (“FT Warrant”). Each whole FT Warrant entitles the holder to acquire one non flow-through common share of the Company at a price of \$0.15 per common share for a period of 24 months following the closing date of the Offering (the “FT Warrants”). The flow-through shares were issued at a premium of \$402,833. Pursuant to the Company incurring eligible flow-through expenditures, the flow-through premium liability has been reduced to \$nil and the remaining \$15,612 was recognized into income during the year ended December 31, 2020.

In connection with this private placement, the Company paid aggregate finders’ and advisory fees of \$412,909 and 3,863,294 finders’ warrants valued at \$126,562. The fair value attributed to the finders’ warrants was determined using the Black-Scholes valuation model using the following assumptions: Risk free interest rate of 1.63%, expected life of two years, and volatility rate of 80.56%. Each finders’ warrant entitles the holder to purchase one common share of the Company at a price of \$0.15 per finders’ warrant share for a period of 24 months following the closing date of the private placement.

<b><i>Flow-through premium liability</i></b>	<b>\$</b>
<b>Balance – December 31, 2018</b>	<b>128,738</b>
Flow-through premium liability additions	402,833
Settlement of flow-through premium to income	(483,972)
<b>Balance – December 31, 2019</b>	<b>47,599</b>
Flow-through premium liability additions	719,415
Settlement of flow-through premium to income	(563,401)
<b>Balance – December 31, 2020</b>	<b>203,613</b>

#### Exploration and evaluation assets (Note 8)

- The Company issued 200,000 common shares valued at \$19,000 in connection with the Whisker Valley property.
- The Company issued 500,000 common shares valued at \$42,500 in connection with the Inomin property.
- The Company issued 250,000 common shares valued at \$18,750 in connection with the El Strato property.
- The Company issued 25,000 common shares valued at \$2,000 in connection with the Strugglers Pond property.

#### Royalty units

During fiscal 2016 the Company issued Royalty Units with a price of \$0.01 per Royalty Unit, and, subject to written consent of the Company, may be assigned or transferred in their entirety only. The proceeds of \$210,700 received in relation to the Royalty Units has been recorded as a Royalty Reserve within Equity.

Royalty Units will return 100% of the original investment made by the purchasers and is to be paid out of production from the Company’s Green Bay project (“Project”). The likelihood of the Project going into production cannot be determined at this time. Total royalties payable from the Royalty Units (“Royalty Payment”) are capped at \$3,440,500 being the price for which the Equity Units (comprised of common shares and common share warrants) and Royalty Units were purchased. Royalty Payments will be made annually beginning on the first anniversary of the date of commencement of commercial production for the Project. Royalty Payments will be funded solely from 10% of annual net cash flow from the Project, with net cash flow representing net production revenues realized from the Project after deduction of all Project operating and debt servicing costs. At the option of the Company, Royalty Payments will be paid either in cash or in gold.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

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#### Stock options

The Company has a “rolling” stock option plan for its directors, officers, employees and consultants. The terms of the plan provide for options to be granted to a maximum of 10% of the issued and outstanding common shares of the Company at the time of grant of the stock options, subject to receipt of annual shareholder approval. The exercise price of each option shall not be less than the minimum price permitted by the policies of the TSX-V, and the options may be granted for a maximum term of ten years from the date of grant. The Company records the fair value of all options granted using the Black-Scholes model as share-based payment expense over the vesting period of the options. Vesting terms are determined by the Board of Directors.

A summary of the Company’s stock options as at and during the years ended December 31, 2020 and 2019 follows:

	December 31, 2020		December 31, 2019	
	Options Outstanding #	Weighted Average Exercise Price \$	Options Outstanding #	Weighted Average Exercise Price \$
<b>Balance, beginning of year</b>	<b>16,840,000</b>	<b>0.13</b>	12,485,000	0.15
Granted	6,700,000	0.09	4,850,000	0.10
Exercised	(825,000)	0.12	-	-
Expired/cancelled	(1,485,000)	0.14	(495,000)	0.25
<b>Balance, end of year</b>	<b>21,230,000</b>	<b>0.12</b>	16,840,000	0.13

During the year ended December 31, 2020, the Company granted 6,700,000 (2019 – 4,850,000) stock options to directors, officers, consultants and employees of the Company, of which 6,525,000 (2019 – 4,650,000) have vested and the remaining 175,000 (2019 – 200,000) unvested stock options will vest by one-third every three months, for six months. The fair value of the stock options granted as determined by the Black-Scholes pricing model was \$473,788 (2019 – \$332,743) or \$0.09 (2019 – \$0.07) per option. Share based payments recognized during the year ended December 31, 2020 of \$469,729 (2019 – \$330,348). During the year ended December 31, 2020, 1,485,000 (2019 – 495,000) stock options were forfeited, cancelled or expired resulting in a reversal of \$130,936 (2019 – \$102,291) from reserves to deficit. The total fair value of unvested options that will be recognized in profit or loss in future periods amounts to \$4,059 at December 31, 2020 (2019 – \$2,395). The Company has estimated the forfeiture rate to be nil%. Expected volatility was determined based on the historical movements in the closing price of the Company’s shares for a length of time to the expected life of each option. The weighted-average assumptions used for the Black-Scholes valuation of stock options granted during the year ended December 31, 2020 were risk-free interest rate of 0.35% (2019 – 1.33%); expected life of options of 5 years and annualized volatility of 102.7% (2019 – 106.96%).



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

As at December 31, 2020, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Options Outstanding #	Options Exercisable #	Exercise Price \$	Remaining Contractual Life years	Expiry
2,300,000	2,300,000	0.25	0.58	29-Jul-21
200,000	200,000	0.15	1.32	26-Apr-22
500,000	500,000	0.10	1.93	04-Dec-22
2,075,000	2,075,000	0.10	1.96	15-Dec-22
4,805,000	4,805,000	0.11	2.93	6-Dec-23
4,650,000	4,650,000	0.10	3.47	18-Jun-24
5,650,000	5,650,000	0.085	4.39	20-May-25
350,000	175,000	0.095	4.46	16-Jun-25
700,000	700,000	0.17	4.70	10-Sep-25
<b>21,230,000</b>	<b>21,055,000</b>	<b>0.12</b>	<b>3.13</b>	

### Warrants

As at December 31, 2020, the Company had outstanding share purchase warrants, enabling the holders to acquire further shares as follows:

Number of Warrants	Exercise Price	Expiry Date
32,311,627	\$0.15	April 12-24, 2021
3,087,873	\$0.15	August 21, 2022
<b>35,399,500</b>		

Share purchase warrant transactions were as follows:

	December 31, 2020		December 31, 2019	
	Warrants Outstanding #	Weighted Average Exercise Price \$	Warrants Outstanding #	Weighted Average Exercise Price \$
<b>Balance, beginning of year</b>	<b>57,835,596</b>	<b>0.15</b>	53,192,432	0.18
Granted	<b>3,087,873</b>	<b>0.15</b>	32,311,627	0.15
Exercised	<b>(9,606,608)</b>	<b>0.14</b>	-	-
Expired/cancelled	<b>(15,917,361)</b>	<b>0.17</b>	(27,668,463)	0.20
<b>Balance, end of year</b>	<b>35,399,500</b>	<b>0.15</b>	57,835,596	0.15

During the year ended December 31, 2020, 15,917,361 (2019 – 27,668,463) warrants expired unexercised, including the reversal of 1,539,850 (2019 – 3,722,544) finder warrants resulting in the reversal of \$444,317 (2019 – \$327,476) to share capital and 9,606,608 warrants were exercised for aggregate gross proceeds of \$1,354,880.

## 12. RELATED PARTY TRANSACTIONS

- (a) Services

Effective February 1, 2019, the Company entered into a sublease for office space in Toronto, with a corporation that is related by virtue of having directors, as well as the Chief Financial Officer and Corporate Secretary in common.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

For the years ended December 31, the Company was charged the following:

	2020	2019
	\$	\$
Rent	65,146	53,863
Office administration	5,244	4,174
	<b>70,390</b>	<b>58,037</b>

(b) Compensation of key management personnel

Key management personnel consist of the directors and executive officers of the Company. Compensation to key management personnel for services rendered were as follows for the years ended December 31:

	2020	2019
	\$	\$
Salaries	643,129	502,413
Consulting	-	28,000
Contract wages <sup>(1)</sup>	-	26,000
Directors' fees	70,000	70,000
Geological consulting <sup>(2)</sup>	-	64,467
Share based payments	294,027	230,233
Severance and retirement payments	-	992,497
	<b>1,007,156</b>	<b>1,913,610</b>

<sup>(1)</sup> Included in Administration in the Statement of Loss and Comprehensive Loss

<sup>(2)</sup> Included in Exploration and Evaluation Assets in the Statement of Financial Position

At December 31, 2020, the Company included in accounts payable and accrued liabilities \$17,500 (2019 – \$17,500) of directors' fees payable to the members of board of directors of the Company (Note 9).

During the year ended December 31, 2019, the Company made management changes resulting in the Company paying severances totalling \$884,497 to the former Chief Executive Officer (\$391,496), Chief Financial Officer (\$117,000), Chief Operating Officer (\$328,001) and Corporate Secretary (\$48,000) of the Company. In addition, the Company paid Mr. Bernard Kahlert, P.Geo., who served as Vice President of Exploration for the Company, a sum of \$108,000 upon his retirement.

### 13. INCOME TAX

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

	2020	2019
	\$	\$
<b>Loss for the year</b>	<b>(1,298,836)</b>	<b>(2,005,534)</b>
Expected income tax (recovery)	(351,000)	(541,000)
Change in statutory, foreign tax, foreign exchange rates and other	4,000	16,000
Permanent differences	(19,000)	(32,000)
Impact of flow-through shares	1,046,000	791,000
Share issue costs	(267,000)	(126,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(38,000)	(32,000)
Change in unrecognized deductible temporary	(375,000)	(76,000)
<b>Total income tax expense (recovery)</b>	<b>-</b>	<b>-</b>





## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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

	2020	2019
	\$	\$
Deferred tax assets (liabilities)		
Exploration and evaluation assets	(2,471,000)	(1,420,000)
Property and equipment	4,000	1,000
Share issue costs	304,000	142,000
Non-capital losses available for future periods	3,097,000	2,586,000
	<b>934,000</b>	1,309,000
Unrecognized deferred tax assets	<b>(934,000)</b>	<b>(1,309,000)</b>
<b>Net deferred tax assets</b>	<b>-</b>	<b>-</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statements of financial position are as follows:

	2020	Expiry Date	2019	Expiry Date
	\$	Range	\$	Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	(9,190,000)	No expiry date	(5,297,000)	No expiry date
Investment tax credit	14,000	2033	14,000	2033
Property and equipment	15,000	No expiry date	5,000	No expiry date
Share issue costs	1,124,000	2021 to 2024	527,000	2019 to 2023
Non-capital losses available for future periods	11,470,000	2028 to 2040	9,576,000	2028 to 2040

Tax attributes are subject to review, and potential adjustment, by tax authorities. As at December 31, 2020, the Company is obligated to incur approximately \$814,500 (2019 – \$285,600) in flow-through expenditures pursuant to private placements of flow-through shares.

#### 14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, deposits and accounts payable and accrued liabilities. Cash is measured at fair value based on Level 1 of the fair value hierarchy. The fair values of receivables and accounts payable and accrued liabilities approximate their book carrying values because of the short-term nature of these instruments.

- (a) *Credit risk* - Credit risk is the risk that a counter party to a financial instrument will fail to discharge its contractual obligations. The Company is exposed to credit risk with respect to its cash and receivables. The maximum exposure to loss arising from receivables is equal to their carrying amounts. The Company manages credit risk with respect to its cash by maintaining demand deposits with a major Canadian financial institution; however, this exposes the Company's cash to concentration of credit risk as all amounts are held at a single institution. Receivables are due from a government agency.
- (b) *Liquidity risk* - Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.
- (c) *Market risk* - Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (expressed in Canadian dollars)

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- (d) *Interest rate risk* - Interest rate risk consists of two components:
- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
  - ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

- (e) *Foreign currency risk* - Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk as its monetary assets and liabilities are denominated in Canadian dollars.
- (f) *Other price risk* - Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company monitors metal prices in determining its long-term business plans.

There were no changes in the Company's approach to managing the above risks.

#### 15. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as equity, consisting of common shares, stock options and warrants.

The Company is dependent upon external financings to fund activities. In order to carry out any exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There were no changes in the Company's capital management strategy during the year ended December 31, 2020 compared to the previous period. The Company is not subject to externally imposed capital requirements.

#### 16. SUBSEQUENT EVENTS

- (a) On March 22, 2021, the Company completed a brokered private placement of 38,500,000 common shares on a flow-through basis at a price of \$0.1794 per flow-through common share for gross proceeds of \$6,906,900. The private placement was completed by a syndicate of agents led by CG and including DGMP, a division of Goodman & Company, Investment Counsel Inc., Sprott and iA Private Wealth Inc. (collectively, the "Agents"). In connection with the closing of the private placement, the Company paid to the Agents a cash fee of \$414,414 of the aggregate gross proceeds raised pursuant to the offering and issued an aggregate of 2,310,000 non-transferable compensation warrants with each compensation warrant being exercisable into one common share at a price of \$0.1794 per common share until March 22, 2023.
- (b) On April 12, 2021, pursuant to the terms of an asset purchase agreement, the Company acquired the Nugget Pond metallurgical facility in the Baie Verte mining district of Newfoundland and Labrador, the Lac Pelletier gold project in Rouyn Noranda, Québec and several other exploration properties and royalty interests in key mining camps across Canada (collectively, the "Assets") from two subsidiaries of Rambler Metals and Mining PLC, namely Rambler Metals and Mining Canada Limited and 1948565 Ontario Inc. (together, "Rambler"). The consideration paid by the



## MARITIME RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 *(expressed in Canadian dollars)*

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Company for the Assets was comprised of the assumption of certain liabilities associated with the Assets, the payment of US\$2,000,000 in cash, and the issuance of the number of common shares of the Company equal to \$500,000, based on the 30-day volume average weighted price of the common shares as of the closing date of the acquisition, representing 3,571,428 common shares issued at a price of \$0.14. In addition, a deposit of \$200,000 was paid to Rambler on March 12, 2020. Sprott Capital Partners LP acted as advisor to Maritime in connection with the acquisition and will be issued 400,000 common shares of the Company in consideration for such services.

Also on April 12, 2021, Tembo Capital acquired 30,770,000 common shares of Maritime, via a non-brokered private placement, at a price of \$0.13 per common share for a total investment of \$4,000,100 and 1,846,200 common share purchase warrants with each warrant being exercisable into one common share at a price of \$0.1794 per common share until April 12, 2023.

Completion of the acquisition and the share issuance to Tembo is subject to final acceptance by the TSX Venture Exchange. Certain matters related to the gold circuit remain subject to final approval of applicable governmental authorities and certain of the other Assets require completion of final transfer matters.

- (c) Subsequent to December 31, 2020, 13,144,940 of common share purchase warrants were exercised for gross proceeds of \$1,971,741 and 19,166,687 of common share purchase warrants expired unexercised.