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## **FINANCIAL STATEMENTS**

*31 January 2021*

**(An Exploration Stage Company)**

(Expressed in Canadian dollars)



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of El Nino Ventures Inc.:

### Opinion

We have audited the financial statements of El Nino Ventures Inc. (the "Company"), which comprise the statements of financial position as at January 31, 2021 and 2020, and the statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### 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 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 is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1.1 to the financial statements, which describes events or conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 International Financial Reporting Standards, 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 Cherry Ho.

DMCL

### DALE MATHESON CARR-HILTON LABONTE LLP CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC  
May 28, 2021



An independent firm  
associated with Moore  
Global Network Limited

**El Nino Ventures Inc.**  
**(An Exploration Stage Company)**  
**Statements of Financial Position**  
(Expressed in Canadian dollars)

	Notes	As at 31 January 2021	As at 31 January 2020
<b>ASSETS</b>		\$	\$
<b>Current assets</b>			
Cash		641,295	931,481
Amounts receivable	4	3,891	8,631
Short term investments	5	178,245	209,184
		823,431	1,149,296
<b>Equipment</b>	7	18,173	24,120
<b>Total assets</b>		841,604	1,173,416
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and accrued liabilities	8	14,422	16,000
Due to related parties	14	23,557	11,030
<b>Total liabilities</b>		37,979	27,030
<b>Equity</b>			
Common shares	9	25,557,671	25,557,671
Reserves	9	8,542,566	8,473,314
Deficit		(33,296,612)	(32,884,599)
<b>Total equity</b>		803,625	1,146,386
<b>Total equity and liabilities</b>		841,604	1,173,416

Corporate Information (Note 1), Going Concern (Note 1.1), Commitments and Contingencies (Note 16)

**APPROVED BY THE BOARD:**

“Harry Barr”  
Director

“Gordon Chunnnett”  
Director

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

**El Nino Ventures Inc.**  
**(An Exploration Stage Company)**  
**Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian dollars)

	Notes	Year ended 31 January	
		2021	2020
		\$	\$
<b>Administration expenses</b>			
Accounting and audit		14,206	16,633
Bank charges and interest		2,072	171
Consulting fees	14, 17	162,784	215,612
Depreciation	7	5,948	5,948
Information technology		480	480
Legal		-	236
Management fees	14	120,000	120,000
Marketing and communications		1,163	3,620
Office and miscellaneous	14	37,760	38,147
Rent	14	23,779	26,114
Share-based payments	9, 14	69,252	-
Telephone and utilities		6,010	9,793
Transfer agent and regulatory fees		13,261	17,821
Travel, lodging and food		9,898	29,303
<b>Net loss before other items</b>		<b>(466,613)</b>	<b>(483,878)</b>
<b>Other items</b>			
Interest income		17	6,433
Impairment of exploration and evaluation properties	6	-	(16,443)
Gain on sale of short-term investments	5	32,666	-
Unrealized gain on money market funds		2,672	6,876
Unrealized gain on short term investments	5	19,245	31,894
Recovery of exploration and evaluation properties	6	-	150,000
<b>Net loss and comprehensive loss for the year</b>		<b>(412,013)</b>	<b>(305,118)</b>
<b>Net loss per share – basic and diluted</b>	11	<b>(0.007)</b>	<b>(0.005)</b>

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

# El Nino Ventures Inc.

## Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Year ended 31 January	
		2021	2020
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss before tax		(412,013)	(305,118)
Adjustments for:			
Depreciation	7	5,948	5,948
Share-based payments	9	69,252	-
Writedown of exploration and evaluation properties	6	-	16,443
Shares received for mineral properties	6, 5	-	(150,000)
Gain on sale of marketable securities	5	(32,666)	-
Unrealized gain on financial assets	5	(19,245)	(31,894)
Changes in operating working capital			
Decrease (increase) in amounts receivable		4,740	(5,462)
Increase (decrease) in trade payables and accrued liabilities		(1,579)	(12,970)
Decrease (increase) in due to related parties		12,527	(1,712)
<b>Cash used in operating activities</b>		<b>(373,036)</b>	<b>(484,765)</b>
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation expenditures	6	-	(18,446)
Cost recovery on exploration and evaluation expenditures	6	-	9,083
Proceeds from sale of short-term investments	5	82,850	-
<b>Cash provided by (used in) investing activities</b>		<b>82,850</b>	<b>(9,363)</b>
Decrease in cash		(290,186)	(494,128)
Cash, beginning of year		931,481	1,425,609
<b>Cash, end of year</b>		<b>641,295</b>	<b>931,481</b>

Supplemental cash flow information (Note 15)

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

**El Nino Ventures Inc.**  
**Statements of Changes in Equity**  
(Expressed in Canadian dollars)

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	Number of shares	Common shares	Stock option reserve	Warrant reserve	Deficit	Total
		\$	\$	\$	\$	\$
<b>Balances, 1 February 2019</b>	<b>61,611,966</b>	<b>25,557,671</b>	<b>2,103,687</b>	6,369,627	<b>(32,579,481)</b>	<b>1,451,504</b>
Net loss for the year	-	-	-	-	(305,118)	(305,118)
<b>Balances, 31 January 2020</b>	<b>61,611,966</b>	<b>25,557,671</b>	<b>2,103,687</b>	6,369,627	<b>(32,884,599)</b>	<b>1,146,386</b>
Share-based payments (Note 9)	-	-	69,252	-	-	69,252
Net loss for the year	-	-	-	-	(412,013)	(412,013)
<b>Balances, 31 January 2021</b>	<b>61,611,966</b>	<b>25,557,671</b>	<b>2,172,939</b>	6,369,627	<b>(33,296,612)</b>	<b>803,625</b>

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

## **1. CORPORATE INFORMATION**

El Nino Ventures Inc. (the “Company”) was incorporated on 19 February 1988 under the laws of the Province of British Columbia, Canada. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties in Canada with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploration. The Company is listed on the Toronto Stock Exchange Venture (“TSX-V”) under the symbol “ELN”.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the Company will obtain the necessary financing to complete the exploration and development of mineral property interests, or that the current or future exploration and development programs of the Company will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments, including conducting minimum exploration and evaluation programs and paying for general and administrative expenses (Note 1.1).

The Company’s principal address and records office is located at 101-2148 West 38th Avenue, Vancouver, BC V6M 1R9.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 on business operations cannot be reasonably estimated at the time, the Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows.

### **1.1 GOING CONCERN**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast significant doubt on the validity of this assumption and ultimately the appropriateness of the use of accounting principles related to a going concern. From inception to date, the Company has incurred losses from operations, earned no revenues and has experienced negative cash flows from operating activities. As at 31 January 2021, the Company had cash of \$641,295 (2020: \$931,481) and working capital of \$785,452 (2020: \$1,122,266). However, management cannot provide assurances that it will achieve profitable operations or raise additional equity capital.

The Company is presently exploring its property interests and has not confirmed they contain mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves and the Company’s ability to obtain necessary financing to complete its exploration and development of its current property interests and on future production from or proceeds from the disposition of its mineral property interests.

The ability of the Company to continue as a going concern is dependent on raising additional financing, retaining or attracting joint venture partners, developing its properties and/or generating profits from operations or the disposition of properties in the future. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Management has been successful in obtaining sufficient funding for operating, exploration and capital requirements from the inception of the Company to date. There is, however, no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to the management of the Company.

If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to further curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures including ceasing operations. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

## **2. BASIS OF PREPARATION**

### **2.1 Basis of presentation**

The Company's financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value (Note 13).

The financial statements are presented in Canadian dollars, which is also the Company's functional currency, except where otherwise indicated and all values are rounded to the nearest dollar.

### **2.2 Statement of compliance**

These financial statements have been prepared in accordance with and using accounting policies in full compliance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended 31 January 2021.

### **2.3 Standards, amendments and interpretations issued but not yet effective**

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Significant accounting judgments, estimates and assumptions**

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and the ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

##### *Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss in the year when new information becomes available.

Determining whether to test for impairment of exploration and evaluation properties requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

*Decommissioning and restoration costs*

Management is not aware of any material restoration, rehabilitation and environmental provisions as at 31 January 2021 and 2020. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measure at fair value and these estimates are updated annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the exploration and evaluation property. Such estimates are subject to change based on changes in laws, regulations and negotiations with regulatory authorities.

*Impairment of financial assets*

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regards to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

*Share based payments*

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in Note 3.6. The fair value of stock options is measured using the Black-Scholes Option Valuation Model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. Under the residual method, the share component is measured first and the residual amount is allocated to the warrants.

*Deferred income taxes*

Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realized the net deferred tax assets recorded at the statement of

financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

*Going concern*

These financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions (Note 1.1).

**3.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

**3.3 Foreign currencies**

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**3.4 Equipment**

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the straight-line method over the following expected useful life:

- Automobile: 5 years

### **3.5 Exploration and evaluation properties**

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Indication of impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
- iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

If there is an indication of impairment, the recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, of the asset is determined. When the carrying value of the property exceeds its recoverable amount the asset is written down accordingly. As a result, an impairment loss is recognized in the statement of loss and comprehensive loss.

The Company may occasionally enter into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as recovery of exploration and evaluation properties.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period.

### **3.6 Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting

period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### **3.7 Taxation**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in the statement of loss and comprehensive loss except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recognized on loss carry-forwards and tax credits, and 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 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 differences arise from goodwill or from the initial recognition of 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 law 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.

The Company records provisions for uncertain tax provisions if it is probable that the Company will make a payment on tax positions as a result of examinations by the tax authorities. These provisions are measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses that they are no longer required or determined by statute.

### **3.8 Financial instruments**

#### ***Classification***

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

***Measurement***

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Cash, trade payable and due to related parties are recognized at amortized cost.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit and loss in the period in which they arise. Short term investment is recognized as FVTPL. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss). Short term investments are recognized as FVTPL.

*Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

*Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the credit risk of the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit and loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

***Derecognition***

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition of assets are recognized in profit and loss.

*Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized at the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

**3.9 Flow-through shares**

The Company, from time to time, issues flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a premium reversal recorded in other income or a reduction to deferred tax expense. The Company also recognizes a deferred tax liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period. The portion of proceeds received but not yet expended at the end of the period is disclosed separately within restricted cash.

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 income tax regulations. When applicable, this tax is accrued as an other expense until paid.

**3.10 Decommissioning liabilities**

An obligation to incur decommissioning costs arises when environmental disturbance is caused by the exploration or development of mineral property interest. These costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability, as soon as the obligation to incur such cost arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the Company operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Estimated costs for decommissioning costs are adjusted as changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital costs of the related assets, in which case the capitalized

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cost is reduced to zero and the difference is recognized in profit or loss. As at 31 January 2021, the Company has \$Nil decommissioning liabilities.

**3.11 Related party transactions**

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

**3.12 Loss per share**

Basic loss per share is computed by dividing the net income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per common share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. In the event of a loss, diluted loss per share is equal to basic loss per share as the additional equity instruments are anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

**4. AMOUNTS RECEIVABLE**

The Company's amounts receivable arises from Goods and Services Tax ("GST") receivable due from the government taxation authorities:

	31 January 2021	31 January 2020
GST receivable	\$ 3,891	\$ 8,631
<b>Total amounts receivable</b>	<b>3,891</b>	<b>8,631</b>

**5. SHORT TERM INVESTMENTS**

	31 January 2021		31 January 2020	
	Cost	Fair Value	Cost	Fair Value
Puma Exploration Inc. 768,000 shares (31 January 2020: 1,115,000 shares) 500,000 warrants (31 January 2020: 700,000 warrants) <sup>(1)</sup>	\$ 111,067	\$ 122,880	\$ 161,250	\$ 139,375
	-	55,365	-	69,809
<b>Total short term investments</b>	<b>111,067</b>	<b>178,245</b>	<b>161,250</b>	<b>209,184</b>

(1) The Puma warrants are exercisable at a price of \$0.25 until 20 December 2022.

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The Company received shares and warrants from Puma Exploration Inc. (“Puma”) as option payments pursuant to the Murray Brook Asset Purchase Agreement dated 15 May 2017 (Notes 6 and 15). During the year ended 31 January 2020, the Company received 1,100,000 shares and 500,000 warrants from Puma. During the year ended 31 January 2020, the Company changed from the binomial model to the Black-Scholes Option Pricing Model in estimating the fair value of the Puma warrants. The weighted average assumptions used for the calculation were:

	31 January 2021	31 January 2020
Risk free interest rate	1.65%	1.39%
Expected life	1.88 years	2.24 years
Expected volatility	187.77%	149.67%
Expected dividend per share	-	-

During the year ended 31 January 2021, the Company sold a total of 347,000 shares of Puma for total proceeds of \$82,850, resulting in a gain of \$32,666.

During the year the Company recorded an unrealized gain of \$19,245 (2020: \$31,894) related to the change in fair value of the short-term investments.

## 6. EXPLORATION AND EVALUATION PROPERTIES

The Company’s exploration and evaluation properties expenditures for the year ended 31 January 2021 and 2020 were as follows:

	Newfoundland Third Pond Gold Project	Total
		\$
<b>ACQUISITION COSTS</b>		
Balance, 31 January 2019	5,005	5,005
Impairment write-down of exploration properties	(5,005)	(5,005)
<b>Balance, 31 January 2020 and 2021</b>	-	-
<b>EXPLORATION AND EVALUATION COSTS</b>		
Balance, 31 January 2019	2,075	2,075
Geological and field expenses	18,446	18,446
Recovery	(9,083)	(9,083)
Impairment write-down of exploration properties	(11,438)	(11,438)
<b>Balance, 31 January 2020 and 2021</b>	-	-
<b>Total, 31 January 2020 and 2021</b>	-	-

### **Newfoundland and Labrador**

The Northern Peninsula Project is situated in the northern peninsula of the island of Newfoundland. The project consist of a claim block, Newfoundland Third Pond Gold Project that is 100% owned by the Company.

During the year ended 31 January 2020, the Company recorded an impairment write-down of \$16,443 related to the Third Pond Project.

### **Murray Brook Project**

On 1 November 2010, Votorantim Metals Canada Inc. (“VM Canada”) entered into an agreement with Murray Brook Minerals Inc. and Murray Brook Resources Inc. (collectively, “MBM”) (the “Murray Brook Agreement”) whereby VM Canada could earn 50% interest in the Murray Brook Project by funding \$2,250,000 in exploration expenditures and making payments totalling \$300,000 over a three-year period that commenced on 1 November 2011. VM Canada earned an additional 20% interest in the Properties by funding an additional \$2,250,000 in exploration expenditures over an additional two year period.

On 3 January 2011, the Company entered into a participation agreement with VM Canada whereby it could earn 50% of VM Canada's interest by paying 50% of the costs incurred by VM Canada, pursuant to the Murray Brook Agreement (paid). On the participation agreement date, the Company and VM Canada each held a 35% interest in the Properties.

On 25 October 2016, the Company executed an asset sale agreement with Puma amended and restated on 10 May 2017 (the “Closing Date”), to relinquish its interest in the Murray Brook Project on the following terms and payments to the Company by Puma (the “Puma Transaction”):

- a) \$50,000 non-refundable deposit payable on the execution of this agreement (received);
- b) \$250,000 cash and issuance of 500,000 shares by Purchaser to Vendor on Closing Date (received);
- c) 200,000 warrants at the closing date (received), which warrants will give the Company the right to buy 200,000 ordinary shares in the capital of Puma at any time within the 36 month period after the Closing Date for the following exercise prices (Note 5):
  - i. 0 to Year 1: Equal to the price of the acquisition equity financing of \$0.70 per share;
  - ii. Year 1 to Year 2 (4 May 2019): a 20% premium to the price indicated in i) above of \$0.80 per share.
  - iii. Year 2 to Year 3 (until 4 May 2020): a 20% premium to the price indicated in ii) above of \$1.00 per share.
- d) \$400,000 cash 6 months after the closing date in the event Puma raises an additional \$1,000,000 within the first 6 months or the amount of \$500,000 cash 12 months after the closing date (received);

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- e) \$1,000,000 cash 12 months after the closing date (received);
- f) \$1,000,000 cash 24 months after the closing date (see amendment to date below);
- g) Net Smelter Return Royalty based on quarterly zinc London Metal Exchange (“LME”) Price per USD metric ton as follows:

<b>Quarterly Zinc LME Price band in USD/mt</b>	<b>Approximate Equivalency in USD/lb of lower range of zinc LME price band</b>	<b>NSR%</b>
< 2,300	< 1.04	0%
2,300 to < 2,500	1.04 – 1.12	0.50%
2,500 to < 2,700	1.13 – 1.22	0.75%
2,700 to < 2,900	1.23 – 1.31	1.00%
2,900 to < 3,100	1.32 – 1.40	1.25%
3,100 to < 3,300	1.41 – 1.49	1.50%
>/= 3,300	> 1.50	1.75%

- h) Puma assuming all liabilities relating to the conduct of the Murray Brook Project from and after the closing date and all liabilities of the Company under the Murray Brook Agreements.

During the previous year ended 31 January 2019, the Company recovered exploration and evaluation costs of \$1,500,000, which is comprised of cash of \$1,500,000 pursuant to the Puma agreement.

On 29 March 2019, the Company further amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on 30 June 2019. In addition, the amendment terms include 100,000 shares of Puma to be issued at the latest of 15 days following the approval of the Exchange.

On 8 July 2019, the Company further amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on 30 June 2020. Puma shall pay the amount of \$30,000 to the Company on or prior to each of the 30 July, 30 September, 31 December 2019 and 31 March 2020. The total \$120,000 is payable even if Puma pays out the \$1,000,000 payment before 30 June 2020.

On 20 December 2019, the Company further amended the Puma Transaction in regards to the the amount of \$1,000,000 cash to be paid on 30 June 2020. Pursuant to the amendment, Puma shall issue to the Company 1,000,000 shares and 500,000 warrants at the latest of 15 days following the approval of the Exchange (issued). Each warrant will entitle the Company to purchase one common share of Puma at a price of \$0.25 for a period of 3 years.

On 29 June 2020, the Company further amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on on 31 July 2020.

On 31 July 2020, the Company and Puma have terminated the amended and restated asset purchase agreement and both parties agreed to execute the requirements for termination. Puma

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agreed to take all actions and do all things necessary to keep at all times the mining claims in good standing through 30 July 2021, including generating and filing sufficient work credits.

On 1 August 2020, the Company and VM Canada reverted to the agreement relating to the dilution of the Company's interest in the Properties dated 1 July 2015. Whereby the parties have agreed that the amounts owing by the Company to VM Canada will be satisfied in full by the dilution of the Company's interest in the Properties. During the year ended 31 January 2021, amounts of \$102,078 owing by the Company to VM Canada were satisfied in full by the dilution of the Company's interest in the Murray Brook Project from 31.48% to 30.96%.

**7. EQUIPMENT**

A summary of changes in the Company's equipment for the year ended 31 January 2021 and 2020 as follows:

	Automobile	Total
<b>COST</b>	\$	\$
As at 31 January 2020	33,042	33,042
<b>As at 31 January 2021</b>	<b>33,042</b>	<b>33,042</b>
<b>DEPRECIATION</b>		
As at 31 January 2019	2,974	2,974
Depreciation	5,948	5,948
As at 31 January 2020	8,922	8,922
Depreciation	5,948	5,948
<b>As at 31 January 2021</b>	<b>14,870</b>	<b>14,870</b>
<b>NET BOOK VALUE</b>		
As at 31 January 2020	24,120	24,120
<b>As at 31 January 2021</b>	<b>18,173</b>	<b>18,173</b>

## 8. TRADE PAYABLES AND ACCRUED LIABILITIES

The Company's trade payables and accrued liabilities are principally comprised of amounts outstanding for trade purchases relating to exploration and evaluation activities and amounts payable for general operations. These are broken down as follows:

	31 January 2021	31 January 2020
	\$	\$
Trade payables	1,422	-
Accrued liabilities	13,000	16,000
<b>Total</b>	<b>14,422</b>	<b>16,000</b>

## 9. SHARE CAPITAL

### 9.1 Authorized share capital

The Company has authorized an unlimited number of common and preferred shares with no par value. As at 31 January 2021, the Company had 61,611,966 common shares outstanding (2020: 61,611,966) and no preferred shares outstanding.

### 9.2 Shares issuances

During the period ended 31 January 2021 and 2020, the Company did not issue common shares.

### 9.3 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the year ended 31 January 2021 and 2020:

As at	31 January 2021		31 January 2020	
	Number of warrants	Weighted average Exercise price	Number of warrants	Weighted average Exercise price
Outstanding, beginning of year	22,697,750	\$0.05	22,697,750	\$0.05
<b>Outstanding, end of year</b>	<b>22,697,750</b>	<b>\$0.05</b>	<b>22,697,750</b>	<b>\$0.05</b>

The following table summarizes information regarding share purchase warrants outstanding as at 31 January 2021:

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<b>Expiry Date</b>	<b>Number of warrants outstanding</b>	<b>Weighted-average remaining contractual life (years)</b>	<b>Weighted average exercise Price</b>
<b>Share purchase warrants</b>			
20 June 2021	22,697,750	0.38	\$0.05
<b>Total warrants outstanding and exercisable</b>	<b>22,697,750</b>	<b>0.38</b>	<b>\$0.05</b>

On 6 June 2018, the Company amended the terms of 22,697,750 share purchase warrants originally granted on 20 June 2016 to extend the expiry date from 20 June 2018 to 20 June 2021. The Company recognized an incremental fair value of \$Nil on the amended share purchase warrants. The amended warrants have an exercise price of \$0.05 per common share.

#### 9.4 Stock options

The Company has adopted a stock option plan (the “Plan”) whereby, the Company may grant stock options up to a maximum of 20% of the number of issued shares of the Company. The exercise price of any options granted under the plan will be determined by the Board of Directors (the “Board”), at its sole discretion, but shall not be less than the last closing price of the Company’s common shares on the day before the date on which the Board grants such options, less the maximum discount permitted under the policies of the TSXV.

The following is a summary of the changes in the Company’s stock option plan for the year ended 31 January 2021 and 2020:

<b>As at</b>	<b>31 January 2021</b>		<b>31 January 2020</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of year	4,725,000	\$0.07	7,960,000	\$0.07
Granted	1,500,000	\$0.08	-	-
Expired	-	-	(1,835,000)	\$0.07
Cancelled	(550,000)	\$0.06	(1,400,000)	\$0.06
<b>Outstanding, end of year</b>	<b>5,675,000</b>	<b>\$0.07</b>	<b>4,725,000</b>	<b>\$0.07</b>
<b>Exercisable, end of year</b>	<b>4,425,000</b>	<b>\$0.06</b>	<b>4,725,000</b>	<b>\$0.07</b>

The following table summarizes information regarding stock options outstanding and exercisable as at 31 January 2021:

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Grant date	Expiry date	Options outstanding (#)	Exercise Price (\$)	Weighted Average Life (years)	Options exercisable (#)
1 November 2017	1 November 2022	2,175,000	0.05	0.67	2,175,000
2 January 2018	2 January 2023	350,000	0.07	0.12	350,000
11 April 2018	11 April 2023	150,000	0.05	0.06	150,000
1 June 2018	1 June 2023	100,000	0.07	0.04	100,000
5 July 2018	5 July 2023	1,300,000	0.10	0.56	1,300,000
18 October 2018	18 October 2023	100,000	0.10	0.05	100,000
04 August 2020	04 August 2025	1,500,000	0.08	1.19	250,000
		<b>5,675,000</b>	<b>0.07</b>	<b>2.68</b>	<b>4,425,000</b>

The fair value of the 1,500,000 stock options (2020 – nil) granted during year ended 31 January 2021 was estimated at \$101,265 (2020: \$nil). The fair value of the stock options granted during the year ended 31 January 2021 were estimated using the Black-Scholes Option Pricing Model using the following factors:

	31 January 2021
Risk free interest rate	0.32%
Expected life	5 years
Expected volatility	190.09%
Expected dividend per share	-
Expected forfeiture	-

## 9.5 SHARE-BASED PAYMENTS

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which \$69,252 (2020 - \$Nil) was recognized in the year ending 31 January 2021.

Grant date	Fair value	Amount vested - 2021	Amount vested - 2020
04 August 2020	\$ 101,265	\$ 69,252	-
<b>Total</b>	101,265	69,252	-

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**10 TAXES**

**10.1 Provision for income taxes**

Applying the Company's Canadian federal and provincial statutory income tax rates of 27.00% (2020 – 27.00%):

<b>Year ended 31 January</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Net income (loss) before tax	<b>(412,013)</b>	(305,118)
Expected income tax	<b>(111,244)</b>	(82,382)
Permanent differences	<b>4,554</b>	(9,443)
Change in prior year provision to actual	<b>(2,524)</b>	53,077
Change in valuation allowance	<b>109,214</b>	38,748
<b>Provision for (recovery of) income taxes</b>	<b>-</b>	-

**10.2 Deferred tax balances**

The tax effects of temporary differences that give rise to deferred tax assets and liabilities are as follows:

	<b>As at 31 January 2021</b>	<b>As at 31 January 2020</b>
<b>Deferred tax assets</b>	<b>\$</b>	<b>\$</b>
Tax loss carry-forwards	<b>2,947,548</b>	2,842,419
Exploration and evaluation properties	<b>462,914</b>	460,390
Share issue costs	<b>-</b>	45
Other	<b>11,702</b>	10,096
Total deferred tax assets	<b>3,422,164</b>	3,312,950
Less: Unrecognized deferred tax assets	<b>(3,422,164)</b>	(3,312,950)
<b>Net deferred tax assets</b>	<b>-</b>	-

**10.3 Expiry dates**

The Company's unrecognized deferred tax assets related to unused tax losses have the following expiry dates:

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<b>As at 31 January</b>	<b>2021</b>
	\$
<b>Non-capital losses</b>	
2026	88,428
2027	961,396
2028	538,135
2029	914,962
2030	1,306,522
2031	1,484,856
2032	1,272,975
2033	1,525,375
2034	681,418
2035	367,543
2036	38,487
2037	157,020
2038	319,942
2039	552,549
2040	317,868
2041	389,366
<b>Total non-capital losses</b>	<b>10,916,842</b>
<b>Total net capital losses, no expiry</b>	<b>-</b>
<b>Total resource-related deduction, no expiry</b>	<b>1,714,495</b>

**11 LOSS PER SHARE**

The calculation of basic and diluted loss per share is based on the following data:

<b>Year ended 31 January</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Net loss	(412,013)	(305,118)
Weighted average number of shares – basic and diluted	61,611,966	61,611,966
<b>Net income per share, basic and diluted</b>	<b>(0.007)</b>	<b>(0.005)</b>

The basic income per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted income per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and warrants were anti-dilutive for the years ended 31 January 2021 and 2020.

## 12 CAPITAL RISK MANAGEMENT

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements and continue the exploration of its mineral properties.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administration costs, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not subject to any externally imposed capital requirements. There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital.

## 13 FINANCIAL INSTRUMENTS

### 13.1 Categories of financial instruments

	As at 31 January 2021	As at 31 January 2020
<b>FINANCIAL ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>Amortized cost</b>		
Cash	641,295	931,481
<b>FVTPL</b>		
Short term investments	178,245	209,184
<b>Total financial assets</b>	<b>819,540</b>	1,140,665
<b>FINANCIAL LIABILITIES</b>		
<b>Amortized cost</b>		
Trade payables	1,422	-
Due to related parties	23,557	11,030
<b>Total financial liabilities</b>	<b>24,979</b>	11,030

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**13.2 Fair value**

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

<b>As at 31 January 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets at fair value</b>				
Short term investments	122,880	-	55,365	178,245
<b>Total financial assets at fair value</b>	<b>122,880</b>	<b>-</b>	<b>55,365</b>	<b>178,245</b>

<b>As at 31 January 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial assets at fair value</b>				
Short term investments	139,375	-	69,809	209,184
<b>Total financial assets at fair value</b>	<b>139,375</b>	<b>-</b>	<b>69,809</b>	<b>209,184</b>

<sup>(1)</sup> The Puma warrants are determined to be a Level 3 measurement using a Black-Scholes Option Pricing Model where the inputs are unobservable due to the warrants not being traded in an active market (Note 5).

There were no transfers between Level 1, 2 and 3 during the year ended 31 January 2021 and 2020.

### **13.3 Management of financial risks**

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk, currency risk and commodity price risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### **Credit risk**

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. As a result, the Company is not subject to a significant credit risk. The Company does not consider any of its financial assets to be impaired.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due (Note 1.1). The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered. The Company has no source of revenue and has obligations to meet its administrative overheads, maintain its mineral investments and to settle amounts payable to its creditors. As at 31 January 2021, the Company had a cash balance of \$641,295 (2020: \$931,481) and gross receivables of \$3,891 (2020: \$8,631) to settle current liabilities due in twelve months or less of \$14,422 (2020: \$16,000) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and liquidation of its marketable securities, either partial or in full, to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

#### **Currency risk**

For the year ended 31 January 2021, the Company's operations were solely in Canada. The Company considers its currency risk to be insignificant.

#### **Other market risks**

The Company is not subject to any other market risks, including interest rate risk and commodity price risk.

## 14 RELATED PARTY TRANSACTIONS

For the year ended 31 January 2021 and 2020, the Company had related party transactions with the following companies related by way of directors, management or shareholders in common:

- New Age Metals Inc., a company with management and certain directors in common with the Company. The Company pays shared office costs to New Age Metals Inc. on a month-to-month basis.
- 3846717 Canada Inc., a company owned by the CEO of the Company. 3846717 Canada Inc. provides management services on a five year term effective 1 June 2018 (Note 16).
- 873285 B.C. Ltd., a company owned by the Corporate Secretary of the Company. 873285 B.C. Ltd. provides consulting services on a month-to-month basis.

### 14.1 Related party expenses

The Company's related party expenses paid and/or accrued during the years ended 31 January 2021 and 2020 are as follows:

<b>Year ended 31 January</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Consulting fees	47,729	122,872
Shared office costs	45,730	45,737
<b>Total related party expenses to New Age Metals Inc.</b>	<b>93,459</b>	168,609
Fees paid to CEO and his companies	120,000	120,000
Fees paid to CFO	42,000	42,000
Fees paid to Corporate Secretary	24,000	24,000
<b>Total related party expenses other than New Age Metals Inc.</b>	<b>186,000</b>	186,000
<b>Total related party expenses</b>	<b>279,459</b>	354,609

**El Nino Ventures Inc.**  
 (An Exploration Stage Company)  
 Notes to the Financial Statements  
 31 January 2021  
 (Expressed in Canadian dollars)

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**14.2 Due from/to related parties**

The assets and liabilities of the Company include the following amounts due to/from related parties:

	<b>31 January 2021</b>	31 January 2020
	\$	\$
New Age Metals Inc.	23,557	11,030
<b>Total amount due to related parties</b>	<b>23,557</b>	<b>11,030</b>

The amounts due to/from related parties are non-interest bearing, unsecured and due on demand.

**14.3 Key management personnel compensation**

The remuneration of directors and other members of key management were as follows:

<b>Year ended 31 January</b>	<b>2021</b>	2020
	\$	\$
Short-term benefits – management and consulting fees	186,000	186,000
Share-based payments (Note 9)	37,239	-
<b>Total key management personnel compensation</b>	<b>223,239</b>	<b>-</b>

**15 SUPPLEMENTAL CASH FLOW INFORMATION**

The Company incurred the following non-cash investing and financing transactions:

During the year ended 31 January 2020, the Company received 1,110,000 shares valued at \$137,500 and 500,000 warrants valued at \$55,365 of Puma Exploration Inc. related to the Murray Brook Asset Purchase Agreement (Notes 5 and 6).

**16 COMMITMENTS and CONTINGENCIES**

As at 31 January 2021, the Company had the following contingent liabilities:

- a) During the year ended 31 January 2021, the Company did not obtain a director's and officer's insurance policy. The Company currently self-insures and has established no reserves for insurance-related contingencies. Rather, the Company assesses each contingency, if any, as it arises to determine estimates of the degree of probability and range of possible settlement. Those contingencies which are deemed to be probable and where the amount of such settlement is reasonably estimable, are then accrued in the Company's financial statements. If only a range of loss can be determined, the best estimate within that range is accrued.

The assessment of contingencies is a highly subjective process that requires judgments regarding

- future events. Insurance contingencies are reviewed at least annually to determine the adequacy of the accruals and whether related financial statement disclosure is required. The ultimate settlement of insurance contingencies may differ materially from amounts accrued in the financial statements.
- b) The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may be payable as a result of the Company not making eligible expenditures.
  - c) The Company regularly assesses its income tax and related non income tax amounts and obligations and the related filing obligations in Canada. It is management's position that adequate provisions have been made in the financial statements related to such obligations. However, there exists uncertainty due to the fact that the Company could be assessed differently by tax and/or other regulatory authorities in a manner that is not consistent with management's expectation. This situation would result in management being required to adjust its provision for income taxes and related non income tax amounts in the period that such a situation occurs and such adjustments could be material.
  - d) The Company's exploration and evaluation activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
  - e) Effective 1 November 2016, the Company entered into a consulting agreement with a company controlled by the corporate secretary for \$4,000 per month.
  - f) Effective 1 June 2018, the Company entered into a management agreement with 3846717 Canada Inc., a company owned by the CEO for \$10,000 per month to provide consulting and management services (Note 14).
  - g) In prior years, the Company entered into arbitrated dispute proceedings with GCP Group Ltd. ("GCP Group") related to its efforts to assert its legal and effective control over the Kasala Mineral Research Permits and the Company's interest in Infinity Resources SPRL ("Infinity") in the Democratic Republic of the Congo. The Company was awarded on 21 March 2014 pursuant to the arbitration, control of all assets of Infinity but was not successful in asserting its legal and effective control over Infinity.

It is management's position that no further action would be taken related to the above.

There is no assurance that further formal claims will not be made against the Company by GCP Group or other related parties.

**17 APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements of the Company for the year ended 31 January 2021 were approved and authorized by the Board of Directors on 26 May 2021.



TSX.V: ELN OTC Pink: ELNOF FRANKFURT: E7QN

Toll free 1.800.667.1870 or 604.685.1870 70  
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## **EL NINO VENTURES INC.**

### **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED 31 JANUARY 2021**

*26 May 2021*

El Nino Ventures Inc.

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*The following management discussion and analysis (“MD&A”) should be read in conjunction with the audited financial statements and accompanying notes (“Financial Statements”) of El Nino Ventures Inc. (the “Company”) for the year ended 31 January 2021. Results have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All monetary amounts are reported in Canadian dollars unless otherwise indicated.*

*For further information on the Company reference should be made to the Company’s public filings which are available on SEDAR. Further information is also available on the Company’s website at [www.elninoventures.com](http://www.elninoventures.com).*

*This MD&A contains forward-looking information. See “Forward-Looking Information” and “Risks and*

*Uncertainties” for a discussion of the risks, uncertainties and assumptions relating to such information.*

## 1. Overview of the Company

El Nino Ventures Inc. (the “Company”, “ELN”) was incorporated on 19 February 1988 under the laws of the Province of British Columbia, Canada. The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties in Canada. The Company has its registered corporate office based in Vancouver, British Columbia, Canada.

As at 31 January 2021, the Company had 61,611,966 common shares outstanding, with a total market capitalization of approximately \$1,601,911. The Company shares trade on the TSX Venture Exchange (“ELN”), OTC Pink (“ELNOF”) and the Frankfurt Stock Exchange (“E7Q”).

The Company is focusing its efforts on developing and growing its asset base. On 25 October 2016, the Company executed an asset sale agreement with Puma Exploration (PUM:TSX-V) to relinquish its interest in the Murray Brook Zn-Pb-Cu-Ag Volcanogenic Massive Sulphide (“VMS”) deposit. The Murray Brook property consists of Mining Lease 252 and contiguous Mineral Claim Block 4925 (245 claims). El Nino’s joint venture partner, Votorantim Metals Canada Inc. (“VM Canada”), on the Murray Brook Project has also optioned their total interest of the Murray Brook Project to Puma. On 31 July 2020, the Company and Puma terminated the asset sale agreement. On 1 August 2020, the Company and VM Canada reverted to the agreement relating to the dilution of the Company’s interest in the Properties dated 1 July 2015.

The Company is continuing to pursue acquisitions globally.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from the novel coronavirus (COVID-19). The Company continues to operate its business at this time. While the impact of COVID-19 on business operations cannot be reasonably estimated at the time, the Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows.

### 1.1 - Overview of Company’s Projects

#### **Bathurst JV Base Metals Project (the “BJVP Project”) (Previously Bathurst Mining Camp Project and BOJV);**

The BJVP Project consists of various claims owned 50%:50% between ELN and Glencore in the prolific Bathurst Mining Camp of New Brunswick, Canada. The Joint Venture seeks a 3rd party partner to explore and develop its properties.

On 17 November 2017, The BOJV Project with Glencore and ELN was terminated by mutual consent of the two companies.

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## **Murray Brook Project**

The Murray Brook deposit is a polymetallic, volcanic hosted massive-sulfide deposit and is the fifth largest deposit in the Bathurst Mining Camp (BMC) with open pit mining potential. The property is located approximately 60 km west of Bathurst, New Brunswick, in Restigouche County, within the BMC. An existing gravel road accesses the property from a paved highway. The electricity grid is nearby, as are communities with goods, services and skilled labour. The gossan zone was removed during the open-pit mining operations carried out by Novagold Resources Inc. during the early 1990s. The hanging wall is moderately chloritic and is locally intensely deformed. The footwall consists of fine grained, felsic tuff and tuffaceous sediments with moderate to strong chlorite and sericite alteration. Sulfides are mainly fine grained, massive, vaguely laminated pyrite with disseminated and banded sphalerite, chalcopyrite and galena. Removal of the gossan also removed any evidence of previous drilling within the shallow pit area. Consequently, VM Canada's due diligence process to acquire the Murray Brook deposit required the confirmation of several historically reported drill results in addition to compilation of previous work. Significant drill results from the due diligence, drill twin-hole program included massive-sulfide intersections that were similar in width, position and positively confirmed the grades for copper ("Cu"), lead ("Pb"), zinc ("Zn"), gold ("Au") and silver ("Ag") reported from the three previously drilled holes.

On 1 November 2010 VM Canada entered into an Option and Joint Venture Agreement (the "OJV Agreement") with privately held companies, Murray Brook Minerals Inc. and Murray Brook Resources Inc. (collectively, "MBM"), which provided for VM Canada to earn 50% of the Murray Brook project consisting of the Murray Brook Mining Lease No. 252 and the Camel Back Claims Block No. 4925 (the "Properties").

Under the OJV Agreement, VM Canada could earn a 50% interest in the Properties by funding \$2,250,000 in exploration expenditures and making payments totaling \$300,000 over a three-year period that commenced 1 November 2011. VM Canada could earn an additional 20% interest in the Properties by funding an additional \$2,250,000 in exploration expenditures over an additional two-year period.

On 3 January 2011, VM Canada entered into a participation agreement with ELN whereby the Company could earn a 50% interest in VM Canada's interest in the Murray Brook by paying 50% of all exploration expenditures incurred and other payments made by VM.

On 25 October 2016, the Company executed an asset sale agreement with Puma Exploration Inc. ("Puma") amended and restated on 10 May 2017, to relinquish its interest in the Murray Brook Project on the following terms and payments to the Company by Puma (the "Puma Transaction"):

- \$50,000 non-refundable deposit payable on the execution of this agreement (received);
- \$250,000 cash and issuance of 5,000,000 shares by Purchaser to Vendor on closing date (received);

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- 2,000,000 warrants at the closing date (received), which warrants will give the Company the right to buy 2,000,000 ordinary shares in the capital of Puma at any time within the 36 month period after the Closing Date for the following exercise prices:
  - 0 to Year 1: Equal to the price of the acquisition equity financing;
  - Year 1 to Year 2: a 20% premium to the price indicated in i) above;
  - Year 2 to Year 3: a 20% premium to the price indicated
- \$400,000 cash 6 months after the closing date in the event Puma raises an additional \$1,000,000 within the first 6 months or the amount of \$500,000 cash 12 months after the closing date (received).
- \$1,000,000 cash 12 months after the closing date (received);
- \$1,000,000 cash 24 months after the closing date (see amendment below);
- Net Smelter Return Royalty based on quarterly zinc London Metal Exchange (“LME”) Price per USD metric ton as follows:

<b>Quarterly Zinc LME Price band in USD/mt</b>	<b>Approximate Equivalency in USD/lb of lower range of zinc LME price band</b>	<b>NSR%</b>
< 2,300	< 1.04	0%
2,300 to < 2,500	1.04 – 1.12	0.50%
2,500 to < 2,700	1.13 – 1.22	0.75%
2,700 to < 2,900	1.23 – 1.31	1.00%
2,900 to < 3,100	1.32 – 1.40	1.25%
3,100 to < 3,300	1.41 – 1.49	1.50%
>= 3,300	> 1.50	1.75%

- Puma assuming all liabilities relating to the conduct of the Murray Brook Project from and after the closing date and all liabilities of vendor under the Murray Brook Agreements.

During the previous year ended 31 January 2019, the Company generated a recovery of \$1,500,000 of exploration and evaluation properties as a result of the payments received from the Puma Transaction.

On 29 March January 2019, the Company amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on 30 June 2019. In addition, the amendment terms include 1,000,000 shares of Puma at the latest of 15 days following the approval of the Exchange.

On 8 July 2019, the Company further amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on 30 June 2020. In addition, the amendment terms include an additional quarterly fee for extension of the purchase agreement. Puma shall pay the amount of \$30,000 to ELN on or prior to each of the 30 July, 30 September, 31 December 2019 and 31 March 2020. The total \$120,000 is payable even if Puma pays out the \$1,000,000 payment before 30 June 2020.

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On 20 December 2019, the Company further amended the Puma Transaction in regards to of the amount of \$1,000,000 cash to be paid on 30 June 2020. Pursuant to the amendment, Puma shall issue to the Company 1,000,000 shares and 500,000 warrants at the latest of 15 days following the approval of the Exchange (issued). Each warrant will entitle the Company to purchase one common share of Puma at a price of \$0.25 for a period of 3 years.

On 31 July 2020, the Company and Puma have terminated the amended and restated asset purchase agreement and both parties agreed to execute the requirements for termination. Puma agreed to take all actions and do all things necessary to keep at all times the mining claims in good standing through 30 July 2021, including generating and filing sufficient work credits.

On 1 August 2020, the Company and VM Canada reverted to the agreement relating to the dilution of the Company's interest in the Properties dated 1 July 2015. Whereby the parties have agreed that the amounts of owing by the Company to VM Canada will be satisfied in full by the dilution of the Company's interest in the Properties. During the year ended 31 January 2021, amounts of \$102,078 owing by the Company to VM Canada were satisfied in full by the dilution of the Company's interest in the Murray Brook Project from 31.48% to 30.96%.

## **1. Going concern**

Several conditions cast significant doubt on the validity of this assumption and ultimately the appropriateness of the use of accounting principles related to a going concern. From inception to date, the Company has incurred losses from operations, earned no revenues and has experienced negative cash flows from operating activities. As at 31 January 2021, the Company had cash and cash equivalents of \$641,295 (2020: \$931,481) and working capital of \$785,452 (2020: \$1,122,266). Existing funds on hand at 31 January 2021 will not be sufficient to support the Company's needs for cash to conduct exploration and to continue operations during the coming year. The Company will require additional funding to be able to meet ongoing requirements for general operations and to advance and retain mineral exploration and evaluation property interests. The ability of the Company to continue as a going concern is dependent on raising additional financing, retaining or attracting joint venture partners, developing its properties and/or generating profits from operations or the disposition of properties in the future.

Management has been successful in obtaining sufficient funding for operating, exploration and capital requirements from the inception of the Company to date. There is, however, no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to the management of the Company.

If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to further curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures including ceasing operations.

## **2. Litigation**

In prior years, the Company entered into arbitrated dispute proceedings with GCP (the "GCP Group") related to its efforts to assert its legal and effective control over the Kasala Mineral

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Research Permits and the Company's interest in Infinity.

On 5 December 2013, the Company was granted a partial award in the arbitration proceedings (the "Arbitration Findings") against the GCP Group. On 21 March 2014, the Company was granted the final award pursuant to the arbitration, whereby the Arbitrator declared various judgements in favour of the Company, including that the GCP Group shall return all assets of Infinity to the control of the Company, the net damages award to the Company being USD\$1,850 with interest, and the GCP Group must pay costs to the Company in the amount of \$431,532 with interest. The Company received a judgement pursuant to the International Commercial Arbitration Act to have the above noted awards applied in the DRC through a successful application of Exequatur.

To date, the Company has not been successful in its efforts in the DRC and there is no assurance that the Company will be successful in asserting its legal and effective control over Infinity. As at 31 January 2021, the Company plans no further action to pursue its legal and effective control over Infinity. There is no assurance that further formal claims will not be made against the Company by GCP Group or other related parties.

As at 31 January 2021 there is no current litigation.

### 3. Selected Annual and Quarterly Financial Information

#### Selected Annual Information

Unless otherwise noted, all currency amounts are stated in Canadian dollars. The following table summarizes selected financial data for ELN for each of the three most recently completed financial years. These information set forth below should be read in conjunction with the consolidated audited financial statements, prepared in accordance with IFRS, and related notes.

	Years Ended 31 January (audited)		
	2021	2020	2019
Total revenues	\$ -	\$ -	\$ -
General and administrative expenses	466,613	483,878	568,927
Mineral property cash costs received	-	-	-
Mineral property cash costs incurred	-	(18,446)	(13,836)
Loss before other items in total	(466,613)	(483,878)	(568,927)
Net income (loss)	(412,013)	(305,118)	812,748
Net income (loss) per share – Basic & fully diluted	(0.007)	(0.005)	0.013
Totals assets	841,604	1,173,416	1,493,216
Total long term liabilities	23,557	11,030	12,742
Cash dividends declared per share	Nil	Nil	Nil

#### Selected Quarterly Financial Information

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company. The figures have been prepared in accordance with IFRS.

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	For the Quarters Ended (unaudited)							
	31 Jan 2021	31 Oct 2020	31 Jul 2020	30 Apr 2020	31 Jan 2020	31 Oct 2019	31 Jul 2019	30 Apr 2019
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	(154,735)	34,657	(97,419)	(194,516)	73,774	(212,495)	(73,197)	(93,200)
Net income (loss) per share	(0.003)	0.001	(0.001)	(0.003)	0.001	(0.003)	(0.001)	(0.002)
Total assets	841,604	922,565	881,518	989,865	1,173,416	1,208,540	1,299,564	1,407,007

## Results of Operations

### For the years ended 31 January 2021 and 2020.

The year ended 31 January 2021, resulted in a net loss from operations of \$412,013 which compares to \$305,118 for the same period in 2020. The increase in loss of \$106,895 was mainly attributable to the net effect of the following:

- Decrease of \$2,427 in Accounting and audit. Cost of \$14,206 for the year ended 31 January 2021 compared to \$16,633 for the same period in 2020.
- Increase of \$1,901 in Bank charges and interests. Cost of \$2,072 for the year ended 31 January 2021 compared to \$171 for the same period in 2020.
- Decrease of \$52,828 in Consulting fees. Cost of \$162,784 for the year ended 31 January 2021 compared to \$215,612 for the same period in 2020.
- Decrease of \$2,457 in Marketing and communications. Cost of \$1,163 for the year ended 31 January 2021 compared to \$3,620 for the same period in 2020.
- Decrease of \$2,335 in Rent. Cost of \$23,779 for the year ended 31 January 2021 compared to \$26,114 for the same period in 2020.
- Increase of \$69,252 in Share-based payments. Cost of \$69,252 for the year ended 31 January 2021 compared to \$Nil for the same period in 2020.
- Decrease of \$3,783 in Telephone and utilities. Cost of \$6,010 for the year ended 31 January 2021 compared to \$9,793 for the same period in 2020.
- Decrease of \$4,560 in Transfer agent and regulatory fees. Cost of \$13,261 for the year ended 31 January 2021 compared to \$17,821 for the same period in 2020.
- Decrease of \$19,405 in Travel, lodging and food. Cost of \$9,898 for the year ended 31 January 2021 compared to \$29,303 for the same period in 2020.
- Decrease of \$6,416 in Interest income. Income of \$17 for the year ended 31 January 2021 compared to \$6,433 for the same period in 2020.

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- Decrease of \$16,443 in Impairment of exploration and evaluation properties. \$Nil for the year ended 31 January 2021 compared to \$16,443 for the same period in 2020.
- Increase of \$32,666 in Gain on sale of short term investments. \$32,666 for the year ended 31 January 2021 compared to \$Nil for the same period in 2020.
- Decrease of \$4,204 in Unrealized gain on money market funds. \$2,672 for the year ended 31 January 2021 compared to \$6,876 for the same period in 2020.
- Decrease of \$12,649 in Unrealized gain on short term investments. \$19,245 for the year ended 31 January 2021 compared to \$31,894 unrealized loss for the same period in 2020.
- Decrease of \$150,000 in Recovery of exploration and evaluation properties, \$Nil for the year ended 31 January 2021 compared to \$150,000 for the same period in 2020.

#### **4. Cash flow, Liquidity and Capital Resources**

During the year ended 31 January 2021, the Company's working capital, defined as current assets less current liabilities, was \$785,452 (2020: \$1,122,266). The Company has a total 61,611,966 common shares issued and outstanding as at 31 January 2021.

Cash outflows for operating activities for the year ended 31 January 2021 were \$373,036 (2020: \$484,675) and consist of corporate costs.

#### **Capital Risk Management**

The Company's objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's normal operating requirements, continue the exploration of its mineral properties.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administration costs, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company is not subject to any externally imposed capital requirements. There were no significant changes in the Company's approach or the Company's objectives and policies for managing its capital.

#### **5. Contractual Obligations**

The Company has no remaining contractual obligations under any of its property option agreements.

## 6. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

## 7. Related Party Transactions

The related party transactions during the year ended 31 January 2021 and 2020, which occurred in the normal course of operations and were measured at the exchange amount (the amount of consideration established and agreed to by the related parties), were as follows:

<b>31 January</b>	<b>2021</b>	<b>2020</b>
	\$	\$
Consulting fees	47,729	122,872
Shared office costs	45,730	45,737
<b>Total related party expenses to New Age Metals Inc.</b>	<b>93,459</b>	168,609
Fees paid/accrued to CEO and his companies	120,000	120,000
Fees paid to CFO	42,000	42,000
Consulting fees paid to Corporate Secretary	24,000	24,000
<b>Total related party expenses other than New Age Metals Inc.</b>	<b>186,000</b>	186,000
<b>Total related party expenses</b>	<b>279,459</b>	354,609

## 8. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and the ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

#### *Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss in the year when new information becomes available.

Determining whether to test for impairment of exploration and evaluation properties requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

#### *Decommissioning and restoration costs*

Management is not aware of any material restoration, rehabilitation and environmental provisions as at 31 January 2021. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value and these estimates are updated annually. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the exploration and evaluation property. Such estimates are subject to change based on changes in laws, regulations and negotiations with regulatory authorities.

#### *Impairment of financial assets*

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regards to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

#### *Share based payments*

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 3.6. The fair value of stock options is measured using the Black-Scholes Option Valuation Model. The fair value of stock options granted using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. Under the residual method, the share component is measured first and the residual amount is allocated to the warrants.

#### *Deferred income taxes*

Judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that the cash flows and taxable income differ significantly from estimates, the ability of the Company to realized the net deferred tax assets recorded at the statement of

financial position date, if any, could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

#### *Going concern*

These financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

### *Foreign currencies*

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

### *Equipment*

Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of equipment, less their estimated residual value, using the straight-line method over the following expected useful life:

- Automobile 5 years

### *Exploration and evaluation properties*

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Indication of impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

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- i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
- iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

If there is an indication of impairment, the recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, of the asset is determined. When the carrying value of the property exceeds its recoverable amount the asset is written down accordingly. As a result, an impairment loss is recognized in the statement of loss and comprehensive loss.

The Company may occasionally enter into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as recovery of exploration and evaluation properties.

Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period.

#### *Share-based payments*

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are

related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

#### *Taxation*

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in the statement of loss and comprehensive loss except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recognized on loss carry-forwards and tax credits, and 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 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 differences arise from goodwill or from the initial recognition of 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 law

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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.

The Company records provisions for uncertain tax provisions if it is probable that the Company will make a payment on tax positions as a result of examinations by the tax authorities. These provisions are measured at the Company's best estimate of the amount expected to be paid. Provisions are reversed to income in the period in which management assesses that they are no longer required or determined by statute.

## **9. Financial instruments**

### *Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

### *Measurement*

#### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Cash, trade payable and due to related parties are recognized at amortized cost.

#### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit and loss in the period in which they arise. Short term investment is recognized as FVTPL. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss). Short term investments are recognized as FVTPL.

### *Financial assets at FVTOCI*

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

### *Impairment of financial assets at amortized cost*

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the credit risk of the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit and loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

### *Derecognition*

#### Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition of assets are recognized in profit and loss.

### *Financial liabilities*

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized at the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

### *Flow-through shares*

The Company, from time to time, issues flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a premium reversal recorded in other income or a reduction to deferred tax expense. The Company also recognizes a deferred tax liability and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period. The portion of proceeds received but not yet expended at the end of the period is disclosed separately within restricted cash.

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 income tax regulations. When applicable, this tax is accrued as an other expense until paid.

#### *Decommissioning liabilities*

An obligation to incur decommissioning costs arises when environmental disturbance is caused by the exploration or development of mineral property interest. These costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability, as soon as the obligation to incur such cost arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the Company operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Estimated costs for decommissioning costs are adjusted as changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capital costs of the related assets, in which case the capitalized cost is reduced to zero and the difference is recognized in profit or loss. As at 31 January 2021, the Company has \$Nil decommissioning liabilities.

#### *Related party transactions*

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

#### *Loss per share*

Basic loss per share is computed by dividing the net income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per common share is computed by dividing the net income applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted. In the event of a loss, diluted loss per share is equal to basic loss per share as the additional equity instruments are anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

## **10. Controls and Procedures**

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with IFRS. The design of the Company's internal control over financial reporting was assessed as of the date of this MD&A.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

## **11. Qualified Person Statement**

Technical sections of "Overview of Company's Projects of this report have been reviewed and approved for technical content by Ali Alizadeh, M.Sc. P.Geol, Senior Advisor for ELN and a Qualified Person under the provisions of NI 43-101.

## **12. Forward Looking Information**

Forward-looking information is included in this MD&A, which involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such

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information may involve but are not limited to comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking information reflects current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the following factors (as discussed under “Risks and Uncertainties”): industry; commodity prices; competition; foreign political risk; government laws; regulation and permitting; title to properties; estimates of mineral resources; cash flows and additional funding requirements; key management; possible dilution to present and prospective shareholders; material risk of dilution presented by large number of outstanding share purchase options and warrants; trading volume; volatility of share price; foreign currency risk; and, conflict of interest.

Although the forward-looking information contained in this MD&A is based upon what the Company’s management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such information. Forward-looking information reflects management’s current beliefs and is based on information currently available to the Company. Such information reflects current assumptions regarding future events and operating performance including, without limitation, a strong global demand for mineral commodities, continued funding and continued strength in the industry in which the Company operates, and speaks only as of the date of this discussion. The forward-looking information is made as of the date of this MD&A.

### **13. Outlook**

On 25 October 2016, the Company executed an asset sale agreement with Puma Exploration (PUM:TSX-V) to relinquish its interest in the Murray Brook Zn-Pb-Cu-Ag Volcanogenic Massive Sulphide (“VMS”) deposit. The Murray Brook property consists of Mining Lease 252 and contiguous Mineral Claim Block 4925 (245 claims). El Nino’s joint venture partner, Votorantim Metals Canada Inc., on the Murray Brook Project has also optioned their total interest of the Murray Brook Project to Puma.

The following terms and payments to the Company by Puma (the “Puma Transaction”):

- \$50,000 non-refundable deposit payable on the execution of this agreement (received);
- \$250,000 cash and issuance of 5,000,000 shares by Purchaser to Vendor on closing date (received);
- 2,000,000 warrants at the closing date (received), which warrants will give the Company the right to buy 2,000,000 ordinary shares in the capital of Puma at any time within the 36 month period after the Closing Date for the following exercise prices:

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- i. 0 to Year 1: Equal to the price of the acquisition equity financing;
  - ii. Year 1 to Year 2: a 20% premium to the price indicated in i) above;
  - iii. Year 2 to Year 3: a 20% premium to the price indicated
- \$400,000 cash 6 months after the closing date in the event Puma raises an additional \$1,000,000 within the first 6 months or the amount of \$500,000 cash 12 months after the closing date (received).
  - \$1,000,000 cash 12 months after the closing date (received);
  - \$1,000,000 cash 24 months after the closing date (amended on 8 July 2019);
  - Net Smelter Return Royalty based on quarterly zinc London Metal Exchange (“LME”) Price per USD metric ton as follows:

<b>Quarterly Zinc LME Price band in USD/mt</b>	<b>Approximate Equivalency in USD/lb of lower range of zinc LME price band</b>	<b>NSR%</b>
< 2,300	< 1.04	0%
2,300 to < 2,500	1.04 – 1.12	0.50%
2,500 to < 2,700	1.13 – 1.22	0.75%
2,700 to < 2,900	1.23 – 1.31	1.00%
2,900 to < 3,100	1.32 – 1.40	1.25%
3,100 to < 3,300	1.41 – 1.49	1.50%
>= 3,300	> 1.50	1.75%

- Puma assuming all liabilities relating to the conduct of the Murray Brook Project from and after the closing date and all liabilities of vendor under the Murray Brook Agreements.

During the previous year ended 31 January 2019, the Company recovered exploration and evaluation costs of \$1,500,000, which is comprised of cash of \$1,500,000 pursuant to the Puma agreement.

On 29 March 2019, the Company further amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on 30 June 2019. In addition, the amendment terms include 100,000 shares of Puma to be issued at the latest of 15 days following the approval of the Exchange.

On 8 July 2019, the Company further amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on 30 June 2020. Puma shall pay the amount of \$30,000 to the Company on or prior to each of the 30 July, 30 September, 31 December 2019 and 31 March 2020. The total \$120,000 is payable even if Puma pays out the \$1,000,000 payment before 30 June 2020.

On 20 December 2019, the Company further amended the Puma Transaction in regards to the amount of \$1,000,000 cash to be paid on 30 June 2020. Pursuant to the amendment, Puma shall issue to the Company 1,000,000 shares and 500,000 warrants at the latest of 15 days following the approval of the Exchange (issued). Each warrant

will entitle the Company to purchase one common share of Puma at a price of \$0.25 for a period of 3 years.

On 29 June 2020, the Company further amended the Puma Transaction and extended the amount of \$1,000,000 cash to be paid on 31 July 2020.

On 31 July 2020, the Company and Puma have terminated the amended and restated asset purchase agreement and both parties agreed to execute the requirements for termination. Puma agreed to take all actions and do all things necessary to keep at all times the mining claims in good standing through 30 July 2021, including generating and filing sufficient work credits.

On 1 August 2020, the Company and VM Canada reverted to the agreement relating to the dilution of the Company's interest in the Properties dated 1 July 2015. Whereby the parties have agreed that the amounts of owing by the Company to VM Canada will be satisfied in full by the dilution of the Company's interest in the Properties. During the year ended 31 January 2021, amounts of \$102,078 owing by the Company to VM Canada were satisfied in full by the dilution of the Company's interest in the Murray Brook Project from 31.48% to 30.96%.

The Company is continually seeking new opportunities.

Even though current management has demonstrated its ability to raise funds in the past, with the current financial market conditions and global economic uncertainty, there can be no assurance it will be able to do so in the future. Although the Company has been successful in all of its Court actions, as with all disputes, there is no guarantee that the results from the appeals will be favorable towards the Company or that there will be further spurious acts. Because of these uncertainties, there is substantial doubt about the ability of the Company to continue as going concern. These financial results and discussion do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

## **15. Additional Information**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.elninoventures.com](http://www.elninoventures.com).

### ***For more information, please contact:***

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Vancouver, British Columbia, V6M 1R9

## **TRADING SYMBOLS**

TSX Venture Exchange: ELN

OTC Pink: ELNOF

Frankfurt Stock Exchange: E7Q

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