INTERNATIONAL TOWER HILL MINES LTD

**CONSOLIDATED FINANCIAL STATEMENTS**

**(Expressed in US Dollars)**

**Years Ended December 31, 2020 and 2019**


**Corporate Office**

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# INTERNATIONAL TOWER HILL MINES LTD.

**December 31, 2020 and 2019**

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**Audited Consolidated Financial Statements**

**Report of Independent Registered Public Accounting Firm**

**To the Shareholders and Directors of International Tower Hill Mines Ltd.**

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of International Tower Hill Mines Ltd. (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years ended December 31, 2020 and 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years ended December 31, 2020 and 2019 in conformity with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective or complex judgements. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Assessment of impairment indicators of mineral property*

As described in Note 4 to the consolidated financial statements, the carrying amount of the Company's mineral property was $55,375,124 as at December 31, 2020. Management applies judgment to assess the mineral property for impairment indicators that could give rise to the requirement to conduct a formal impairment test. Internal and external factors such as (i) significant decrease in the market price of the asset, (ii) current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with the use of the asset, (iii) significant changes in expected capital and operating costs, and reclamation costs, (iv) significant adverse changes in the business climate or legal factors including changes in gold prices, and (v) current expectation that the asset will more likely than not be sold or disposed of significantly before the end of its estimated useful life, are evaluated by management in determining whether there are any indicators of impairment.

The principal considerations for our determination that the assessment of impairment indicators of the mineral property is a critical audit matter are that there was judgement by management when assessing whether there were indicators of impairment for the mineral property. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to conduct a formal impairment test.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others, evaluating management's assessment of indicators of impairment; and assessing whether there has been a significant decrease in the market price of the asset, significant changes in the expected capital costs, operating costs, reclamation costs, and current period cash flow or operating losses combined with a history of losses or forecasted continued losses associated with the use of the asset, by considering the current and past performance of the mineral property including other third-party information and evidence obtained in other areas of the audit, as applicable. The procedures performed also included (i) evaluating whether there were significant adverse changes in the business climate or legal factors including changes in gold prices by considering external market data and industry data; and (ii) assessing the completeness of external and internal factors that could be considered as indicators of impairment of the Company's mineral property, including consideration of evidence obtained in other areas of the audit.

We have served as the Company's auditor since 2017.

/s/ Davidson & Company LLP
**Chartered Professional Accountants**
Vancouver, British Columbia, Canada
March 9, 2021

**INTERNATIONAL TOWER HILL MINES LTD.**
CONSOLIDATED BALANCE SHEETS
As at December 31, 2020 and 2019
(Expressed in U.S. Dollars)

| | Note | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | $ 13,049,293 | $ 6,937,621 |
| Prepaid expenses and other | | 162,079 | 238,554 |
| Total current assets | | 13,211,372 | 7,176,175 |
| Property and equipment | | 7,832 | 15,434 |
| Mineral property | 4 | 55,375,124 | 55,375,124 |
| **Total assets** | | $ 68,594,328 | $ 62,566,733 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable | | $ 199,026 | $ 18,433 |
| Accrued liabilities | 5 | 293,965 | 317,324 |
| **Total liabilities** | | 492,991 | 335,757 |
| **Shareholders' equity** | | | |
| Share capital, no par value; authorized 500,000,000 shares; 194,908,184 and 187,573,671 shares issued and outstanding at December 31, 2020 and 2019, respectively | 7 | 288,032,132 | 278,213,801 |
| Contributed surplus | | 35,454,805 | 35,069,274 |
| Accumulated other comprehensive income | | 1,759,228 | 1,574,011 |
| Deficit | | (257,144,828) | (252,626,110) |
| **Total shareholders' equity** | | 68,101,337 | 62,230,976 |
| **Total liabilities and shareholders' equity** | | $ 68,594,328 | $ 62,566,733 |

**Nature of operations** (Note 1)
**Commitments** (Note 9)

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

**INTERNATIONAL TOWER HILL MINES LTD.**
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the Years Ended December 31, 2020 and 2019
(Expressed in U.S. Dollars)

| | Note | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| **Operating Expenses** | | | |
| Consulting fees | 7 | $ 472,413 | $ 484,546 |
| Depreciation | | 7,602 | 2,316 |
| Insurance | | 144,837 | 123,997 |
| Investor relations | 7 | 57,206 | 38,697 |
| Mineral property exploration | 4 | 2,364,899 | 1,689,228 |
| Office | | 27,590 | 30,535 |
| Other | | 17,774 | 14,910 |
| Professional fees | | 219,268 | 192,339 |
| Regulatory | | 138,191 | 126,895 |
| Rent | 11 | 135,762 | 135,737 |
| Travel | | 20,450 | 33,045 |
| Wages and benefits | 7 | 808,837 | 778,224 |
| **Total operating expenses** | | (4,414,829) | (3,650,469) |
| **Other income (expense)** | | | |
| Loss on foreign exchange | | (191,071) | (406,454) |
| Interest income | | 76,361 | 164,533 |
| Other income | | 10,821 | 65,983 |
| **Total other income (expense)** | | (103,889) | (175,938) |
| **Net loss for the year** | | (4,518,718) | (3,826,407) |
| **Other comprehensive income** | | | |
| Exchange difference on translating foreign operations | | 185,217 | 411,111 |
| **Total other comprehensive income for the year** | | 185,217 | 411,111 |
| **Comprehensive loss for the year** | | $ (4,333,501) | $ (3,415,296) |
| **Basic and diluted net loss per share** | | $ (0.02) | $ (0.02) |
| **Weighted average number of shares outstanding – basic and diluted** | | 189,870,444 | 187,359,884 |

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

**INTERNATIONAL TOWER HILL MINES LTD.**
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended December 31, 2020 and 2019
(Expressed in U.S. Dollars)

| | Number of shares | Share capital | Contributed surplus | Accumulated other comprehensive income | Deficit | Total |
|---|---|---|---|---|---|---|
| Balance, December 31, 2018 | 186,990,683 | $ 277,852,672 | $ 34,960,292 | $ 1,162,900 | $ (248,799,703) | $ 65,176,161 |
| Stock based compensation-option | - | - | 89,140 | - | - | 89,140 |
| Stock based compensation-DSU | - | - | 316,717 | - | - | 316,717 |
| Exchange difference on translating foreign operations | - | - | - | 411,111 | - | 411,111 |
| Maturity of DSU | 461,814 | 245,592 | (245,592) | - | - | - |
| Exercise of options | 121,174 | 64,254 | - | - | - | 64,254 |
| Reallocation from contributed surplus | - | 51,283 | (51,283) | - | - | - |
| Net loss | - | - | - | - | (3,826,407) | (3,826,407) |
| Balance, December 31, 2019 | 187,573,671 | 278,213,801 | 35,069,274 | 1,574,011 | (252,626,110) | 62,230,976 |
| Stock based compensation-option | - | - | 90,914 | - | - | 90,914 |
| Stock based compensation-DSU | - | - | 294,617 | - | - | 294,617 |
| Exchange difference on translating foreign operations | - | - | - | 185,217 | - | 185,217 |
| At-The-Market offering | 7,334,513 | 10,299,277 | - | - | - | 10,299,277 |
| Share issuance costs | - | (480,946) | - | - | - | (480,946) |
| Net loss | - | - | - | - | (4,518,718) | (4,518,718) |
| Balance, December 31, 2020 | 194,908,184 | $ 288,032,132 | $ 35,454,805 | $ 1,759,228 | $ (257,144,828) | $ 68,101,337 |

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

**INTERNATIONAL TOWER HILL MINES LTD.**
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(Expressed in U.S. Dollars)

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Operating Activities** | | |
| Loss for the year | $ (4,518,718) | $ (3,826,407) |
| Add items not affecting cash: | | |
| Depreciation | 7,602 | 2,316 |
| Stock-based compensation-option | 90,914 | 89,140 |
| Stock-based compensation-DSU | 294,617 | 316,717 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 94,795 | (15,266) |
| Prepaid expenses | (14,447) | (11,023) |
| Accounts payable and accrued liabilities | 156,302 | (215,110) |
| **Cash used in operating activities** | (3,888,935) | (3,659,633) |
| **Financing Activities** | | |
| Issuance of common shares | 10,299,277 | 64,254 |
| Share issuance costs | (480,946) | - |
| **Cash provided by financing activities** | 9,818,331 | 64,254 |
| **Investing Activities** | | |
| Mineral property land acquisition | - | (101,692) |
| **Cash used in investing activities** | - | (101,692) |
| **Effect of foreign exchange on cash and cash equivalents** | 182,276 | 405,728 |
| **Increase/(decrease) in cash and cash equivalents** | 6,111,672 | (3,291,343) |
| **Cash and cash equivalents, beginning of year** | 6,937,621 | 10,228,964 |
| **Cash and cash equivalents, end of year** | $ 13,049,293 | $ 6,937,621 |

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

## 1. GENERAL INFORMATION, NATURE OF OPERATIONS

International Tower Hill Mines Ltd. ("ITH" or the "Company") is incorporated under the laws of British Columbia, Canada. The Company's head office address is 2300-1177 West Hastings Street, Vancouver, British Columbia, Canada.

International Tower Hill Mines Ltd. consists of ITH and its wholly owned subsidiaries Tower Hill Mines, Inc. ("TH Alaska") (an Alaska corporation), Tower Hill Mines (US) LLC ("TH US") (a Colorado limited liability company), and Livengood Placers, Inc. ("LPI") (a Nevada corporation). The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At December 31, 2020, the Company was in the exploration stage and controls a 100% interest in its Livengood Gold Project in Alaska, U.S.A.

These consolidated financial statements have been prepared on a going-concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company will require significant additional financing to continue its operations in connection with advancing activities at the Livengood Gold Project and for the development of any mine that may be determined to be built at the Livengood Gold Project. There is no assurance that the Company will be able to obtain the additional financing required on acceptable terms, if at all.

In addition, any significant delays in the issuance of required permits for the ongoing work at the Livengood Gold Project, or unexpected results in connection with the ongoing work, could result in the Company being required to raise additional funds to advance permitting efforts. The Company's review of its financing options includes pursuing a future strategic alliance to assist in further development, permitting and future construction costs.

Despite the Company's success to date in raising significant equity financing to fund its operations, there is significant uncertainty that the Company will be able to secure any additional financing in the current or future equity markets. The amount of funds to be raised and the terms of any proposed equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Specific plans related to the use of proceeds will be devised once financing has been completed and management knows what funds will be available for these purposes. Due to this uncertainty, if the Company is unable to secure additional financing, it may be required to reduce all discretionary activities at the Project to preserve its working capital to fund anticipated non-discretionary expenditures beyond the 2021 fiscal year. As at March 9, 2021, management believes that the Company has sufficient financial resources to maintain its operations for the next twelve months.

In March 2020, the World Health Organization declared the novel coronavirus 2019 ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its ultimate effects on the Company's business, results of operations or ability to raise funds at this time, the COVID-19 pandemic has not had any material adverse effects on the Company.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of presentation

These consolidated financial statements are presented in United States dollars and have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). On March 9, 2021, the Board approved the consolidated financial statements dated December 31, 2020.

### Basis of consolidation

These consolidated financial statements include the accounts of ITH and its wholly owned subsidiaries TH Alaska, TH US, and LPI. All intercompany transactions and balances have been eliminated.

**Significant judgments, estimates and assumptions**

The preparation of financial statements in accordance with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. These judgments, estimates and assumptions are regularly evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. While management believes the estimates to be reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

The areas which require significant judgment and estimates that management has made at the financial reporting date, that could result in a material change to the carrying amounts of assets and liabilities, in the event actual results differ from the assumptions made, relate to, but are not limited to the following:

Significant judgments

- the determination of functional currencies;
- quantitative and qualitative factors used in the assessment of impairment of the Company's mineral property; and
- the analysis of resource calculations, drill results, labwork, etc. which can impact the Company's assessment of impairment, and provisions, if any, for environmental rehabilitation and restoration.

**Cash and cash equivalents**

Cash equivalents include highly liquid investments with original maturities of twelve months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

**Property and equipment**

On initial recognition, property and equipment are valued at cost. Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated. Depreciation is recorded over the estimated useful life of the assets at the following annual rates:

Computer equipment - 30% declining balance;
Computer software - 3 years straight line;
Furniture and equipment - 20% declining balance; and
Leasehold improvements - straight-line over the lease term.

Additions during the year are depreciated at one-half the annual rates. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

**Mineral properties and exploration and evaluation expenditures**

The Company's mineral project is currently in the exploration and evaluation phase. Mineral property acquisition costs are capitalized when incurred. Mineral property exploration costs are expensed as incurred. At such time that the Company determines that a mineral property can be economically developed, subsequent mineral property expenses will be capitalized during the development of such property.

The Company assesses interests in exploration properties for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. Impairment analysis includes assessment of the following circumstances: a significant decrease in the market price of a long-lived asset or asset group; a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition; a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset or asset group, including an adverse action or assessment by a regulator; an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset or asset group; a current-period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group; a current expectation that, more likely than not, a long-lived asset or asset group will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50%.

**Asset retirement obligations**

The Company records a liability based on the best estimate of costs for site closure and reclamation activities that the Company is legally or contractually required to remediate. The provision for closure and reclamation liabilities is estimated using expected cash flows based on engineering and environmental reports and accreted to full value over time through periodic charges to income. The Company does not have any material provisions for environmental rehabilitation as of December 31, 2020.

**Impairment of long-lived assets and long-lived assets to be disposed of**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

**Income taxes**

The Company accounts for income taxes under the asset and liability method. Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some portion or the entire deferred tax asset will not be recognized.

**Net loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if securities or contracts that may require the issuance of common shares in the future were converted, unless the impact is anti-dilutive. For the year ended December 31, 2020, this calculation proved to be anti-dilutive, and therefore the Company's 2,707,049 stock options and 1,834,481 deferred share units ("DSUs") outstanding at year-end have been excluded from the calculation.

**Stock-based compensation**

The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification Section 718 "Compensation - Stock Compensation", which establishes accounting for equity-based compensation awards to be accounted for using the fair value method. Equity-settled share-based payment arrangements are initially measured at fair value at the date of grant and recorded within shareholders' equity. Arrangements considered to be cash-settled are initially recorded at fair value and classified as accrued liabilities, and subsequently re-measured at fair value at each reporting date. The Company's stock option plan is an equity-settled arrangement and the Company's deferred share unit plan can be an equity or cash settled arrangement depending on the grant date term.

The fair value at grant date of all share-based payments is recognized as compensation expense over the period for which benefits of services are expected to be derived, with a corresponding credit to shareholders' equity or accrued liabilities depending on whether they are equity-settled or cash-settled. The Company estimates the fair value of stock options granted using the Black-Scholes option pricing model and estimate the expected forfeiture rate at the date of grant. The value of DSUs is estimated based on the quoted market price of the Company's common shares. When awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed.

**Functional currency**

The Company's consolidated financial statements are presented in U.S. dollars, which is the Company's reporting currency. The functional currency of ITH is the Canadian ("CAD" or "C") dollar and the functional currency of ITH Alaska, TH US and LPI is the U.S. dollar.

In accordance with ASC 830, Foreign Currency Matters, the Company translates the assets and liabilities into U.S. dollars using the rate of exchange prevailing at the balance sheet date and the statements of operations and comprehensive loss and cash flows are translated at an average rate during the reporting period. Adjustments resulting from the translation from CAD into U.S. dollars are recorded in shareholders' equity as part of accumulated other comprehensive income.

Foreign currency transactions are translated into the functional currency of the respective currency of the entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined. Gains and losses are recorded in the statement of operations and comprehensive loss.

**Recently adopted accounting pronouncements**

*Accounting Standards Update No. 2016-02 Leases (Topic 842).* In February 2016, the FASB issued a new standard regarding leases. These are elements of the new standard that could impact almost all entities to some extent, although lessees will likely see the most significant changes. Lessees will need to recognize virtually all of their leases on the balance sheet, by recording a right-of-use asset and a lease liability. The Company adopted the standards on January 1, 2019 and adoption had no impact on the Company's financial statements.

*Accounting Standards Update 2016-16—Income Taxes, Intra-Entity Transfers of Assets Other Than Inventory (Topic 740).* In October 2016, the FASB issued guidance intended to improve the accounting for the income tax consequences of intra-entity transfers of assets other than inventory by requiring an entity to recognize the income tax consequences when a transfer occurs, instead of when an asset is sold to an outside party. The Company adopted the standards on January 1, 2019 and adoption had no impact on the Company's financial statements.

*Accounting Standards Update No. 2014-09—Revenue from Contracts with Customers (Topic 606).* On May 28, 2014, the FASB issued guidance that requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU was further amended in August 2015, March 2016, April 2016, May 2016 and December 2016 by ASU No. 2015-014, No. 2016-08, No. 2016-10, No. 2016-12 and No. 2016-20, respectively. The guidance provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. The Company adopted the standards on January 1, 2019 and adoption had no impact on the Company's financial statements.

*Accounting Standards Update No. 2018-13—Fair Value Measurement (Topic 820)*. In August 2018, the FASB issued guidance that modifies the disclosure requirements for fair value measurements by removing, modifying or adding disclosures. The Company adopted the standards on January 1, 2020 and adoption had no impact on the Company's financial statements .

**Recently issued accounting pronouncements**

*Accounting Standards Update No. 2019-12—Income Taxes (Topic 740).* In December 2019, the FASB issued guidance intended to simplify various aspects related to accounting for income taxes and removes certain exceptions to the general principles and also clarifies and amends existing guidance to improve consistent application. The Company is required to adopt this new standard for interim and annual periods beginning after December 15, 2020. The adoption of guidance will have no impact on the Company's financial statements.

*Accounting Standards Update No. 2016-13—Measurement of Credit Losses on Financial Instruments*. In June 2016, the FASB issued guidance intended to change how companies account for credit losses for most financial assets and certain other instruments. For trade receivables, loans and held-to-maturity debt securities, companies will be required to estimate lifetime expected credit losses and recognize an allowance against the related instruments. For available for sale debt securities, companies will be required to recognize an allowance for credit losses rather than reducing the carrying value of the asset. The adoption of this update, if applicable, will result in earlier recognition of losses and impairments.

*Accounting Standards Update No. 2018-19—Codification Improvements to ASC 326, Financial Instruments—Credit Losses.* In November 2018, the FASB introduced guidance on an expected credit loss methodology for the impairment of financial assets measured at amortized cost basis. That methodology replaces the probable, incurred loss model for those assets. ASU 2018-19 is the final version of Proposed Accounting Standards Update 2018-270, which has been deleted. Additionally, the amendments clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with ASC 842, Leases.

These updates are effective beginning January 1, 2023, and the Company is currently evaluating ASU 2016-13 and ASU 2018-19 and the potential impact of adopting this guidance on its financial reporting.

## 3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the significance of the inputs used in making the measurement. The three levels of the fair value hierarchy are as follows:

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

There were no financial instruments measured at fair value.

## 4. MINERAL PROPERTY

The Company had the following activity related to the mineral property:

| **Capitalized acquisition costs** | **Amount** |
|---|---|
| Balance, December 31, 2018 | $ 55,273,432 |
| Additions | 101,692 |
| Balance, December 31, 2019 | $ 55,375,124 |
| Additions | - |
| Balance, December 31, 2020 | $ 55,375,124 |

The following table presents costs incurred for exploration and evaluation activities for the years ended December 31, 2020 and 2019:

| | **Year ended December 31, 2020** | **Year ended December 31, 2019** |
|---|---|---|
| Exploration costs: | | |
| Aircraft services | $ - | $ 4,350 |
| Environmental | 169,704 | 169,171 |
| Equipment and facilities rental | 54,945 | 75,774 |
| Field costs | 70,254 | 75,772 |
| Geological/geophysical | 1,437,530 | 710,121 |
| Land maintenance & tenure | 563,243 | 575,975 |
| Legal | 54,982 | 70,229 |
| Transportation and travel | 14,241 | 7,836 |
| Total expenditures for the year | $ 2,364,899 | $ 1,689,228 |

**Properties acquired from AngloGold, Alaska**

Pursuant to an Asset Purchase and Sale and Indemnity Agreement dated June 30, 2006, as amended on July 26, 2007 (the "AngloGold Agreement"), among the Company, AngloGold Ashanti (U.S.A.) Exploration Inc. ("AngloGold") and TH Alaska, the Company acquired all of AngloGold's interest in a portfolio of seven mineral exploration projects in Alaska and referred to as the Livengood, Chisna, Gilles, Coffee Dome, West Pogo, Blackshell, and Caribou properties (the "Sale Properties") in exchange for a cash payment of $50,000 on August 4, 2006, and the issuance of 5,997,295 common shares, representing approximately 19.99% of the Company's issued shares following the closing of the acquisition and two private placement financings raising an aggregate of C$11,479,348.

As further consideration for the transfer of the Sale Properties, the Company granted to AngloGold a 90-day right of first offer with respect to the Sale Properties and any additional mineral properties in Alaska in which the Company acquires an interest and which interest the Company proposes to farm out or otherwise dispose of. Upon AngloGold's equity interest in the Company being reduced to less than 10%, this right of first offer would then terminate.

On December 11, 2014, the Company closed a private placement financing in which AngloGold elected not to participate. As a result of the shares issued in this private placement, AngloGold's ownership in the Company was reduced to less than 10% and thus both AngloGold's right to maintain its ownership percentage interest and its right of first offer on the Company's Alaskan properties terminated upon the closing of the December 2014 private placement.

Details of the Livengood Property (being the only Sale Property still held by the Company) are as follows:

**Livengood Property:**

The Livengood property is located in the Tintina gold belt approximately 113 kilometers (70 miles) north of Fairbanks, Alaska. The property consists of land leased from the Alaska Mental Health Trust, a number of smaller private mineral leases, Alaska state mining claims purchased or located by the Company and patented ground held by the Company.

Details of the leases are as follows:

a) a lease of the Alaska Mental Health Trust mineral rights having a term beginning July 1, 2004 and extending 19 years until June 30, 2023, subject to further extensions beyond June 30, 2023 by either commercial production or payment of an advance minimum royalty equal to 125% of the amount paid in year 19 and diligent pursuit of development. The lease requires minimum work expenditures and advance minimum royalties which escalate annually with inflation. A net smelter return ("NSR") production royalty of between 2.5% and 5.0% (depending upon the price of gold) is payable to the lessor with respect to the lands subject to this lease. In addition, an NSR production royalty of l% is payable to the lessor with respect to the unpatented federal mining claims subject to the lease described in b) below and an NSR production royalty of between 0.5% and 1.0% (depending upon the price of gold) is payable to the lessor with respect to the lands acquired by the Company as a result of the purchase of Livengood Placers, Inc. in December 2011. As of December 31, 2020, the Company has paid $3,651,168 from the inception of this lease.

b) a lease of federal unpatented lode mining claims having an initial term of ten years commencing on April 21, 2003 and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of $50,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of between 2% and 3% (depending on the price of gold) is payable to the lessors. The Company may purchase 1% of the royalty for $1,000,000. As of December 31, 2020, the Company has paid $830,000 from the inception of this lease.

c) a lease of patented lode claims having an initial term of ten years commencing January 18, 2007, and continuing for so long thereafter as advance minimum royalties are paid. The lease requires an advance minimum royalty of $20,000 on or before each anniversary date through January 18, 2017 and $25,000 on or before each subsequent anniversary (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of 3% is payable to the lessors. The Company may purchase all interests of the lessors in the leased property (including the production royalty) for $1,000,000 (less all minimum and production royalties paid to the date of purchase), of which $500,000 is payable in cash over four years following the closing of the purchase and the balance of $500,000 is payable by way of the 3% NSR production royalty. As of December 31, 2020, the Company has paid $250,000 from the inception of this lease. The Company has acquired a 40% interest in the mining claims subject to the lease, providing the Company with a 40% interest in the lease.

d) a lease of unpatented federal lode mining and federal unpatented placer claims having an initial term of ten years commencing on March 28, 2007, and continuing for so long thereafter as advance minimum royalties are paid and mining related activities, including exploration, continue on the property or on adjacent properties controlled by the Company. The lease requires an advance minimum royalty of $15,000 on or before each anniversary date (all of which minimum royalties are recoverable from production royalties). The Company is required to pay the lessor the sum of $250,000 upon making a positive production decision, payable $125,000 within 120 days of the decision and $125,000 within a year of the decision (all of which are recoverable from production royalties). An NSR production royalty of 2% is payable to the lessor. The Company may purchase all of the interest of the lessor in the leased property (including the production royalty) for $1,000,000. As of December 31, 2020, the Company has paid $173,000 from the inception of this lease.

**Title to mineral properties**

The acquisition of title to mineral properties is a detailed and time-consuming process. The Company has taken steps to verify title to mineral properties in which it has an interest. Although the Company has taken every reasonable precaution to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

## 5. ACCRUED LIABILITIES

The following table presents the accrued liabilities balances at December 31, 2020 and 2019.

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Accrued liabilities | $ 227,459 | $ 278,644 |
| Accrued salaries and benefits | 66,506 | 38,680 |
| Total accrued liabilities | $ 293,965 | $ 317,324 |

Accrued liabilities at December 31, 2020 include accruals for general corporate costs and project costs of $51,151 and $176,308, respectively. Accrued liabilities at December 31, 2019 include accruals for general corporate costs and project costs of $57,114 and $221,530, respectively.

## 6. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended December 31, 2020 and 2019:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Loss before income taxes | $ (4,518,718) | $ (3,826,407) |
| Statutory Canadian corporate tax rate | 27.00% | 27.00% |
| Expected income tax (recovery) | $ (1,220,054) | $ (1,033,130) |
| Share-based payments | 104,093 | 109,581 |
| Difference in tax rates in other jurisdictions | (115,057) | (88,499) |
| Share issue cost | (129,854) | 68,800 |
| Adjustment to prior years provision versus statutory tax returns | (7,789) | 3,721 |
| Change in unrecognized deductible temporary differences | 1,368,661 | 939,527 |
| Total income tax expense (recovery) | $ - | $ - |

The significant components of the Company's deferred tax assets are as follows:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| Deferred income tax assets (liabilities): | | |
| Mineral properties | $ 18,750,505 | $ 20,156,879 |
| Property and equipment | 10,365 | 8,059 |
| Share issue costs | 118,756 | 31,653 |
| Net operating losses available for future periods | 55,302,874 | 52,617,248 |
| | 74,182,500 | 72,813,839 |
| Valuation allowance | (74,182,500) | (72,813,839) |
| Net deferred tax asset | $ - | $ - |

At December 31, 2020, the Company has available net operating losses for Canadian income tax purposes of approximately $22,859,000 and net operating losses for US income tax purposes of approximately $161,614,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

| | Canada | United States |
|---|---|---|
| 2040 | $ 907,000 | $ 8,081,000 |
| 2039 | 910,000 | 7,743,000 |
| 2038 | 388,000 | 8,638,000 |
| 2037 | 1,394,000 | 8,800,000 |
| 2036 | 1,383,000 | 8,798,000 |
| 2035 | 406,000 | 10,703,000 |
| 2034 | 1,694,000 | 12,587,000 |
| 2033 | 1,827,000 | 14,208,000 |
| 2032 | 2,629,000 | 16,797,000 |
| 2031 | 4,180,000 | 40,825,000 |
| 2030 | 2,829,000 | 18,765,000 |
| 2029 | 2,074,000 | 2,973,000 |
| 2028 | 1,253,000 | 1,412,000 |
| 2027 | 907,000 | 1,284,000 |
| 2026 | 78,000 | - |
| | $ 22,859,000 | $ 161,614,000 |

The Company also has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately $117,054,000 which may be deductible for U.S. tax purposes. Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

## 7. SHARE CAPITAL

### Authorized

The Company's authorized share capital consists of 500,000,000 common shares without par value. At December 31, 2019 and 2020, there were 187,573,671 and 194,908,184 shares issued and outstanding, respectively.

### Share issuances

On August 31, 2020, the Company entered into an At Market Issuance ("ATM") Sales Agreement with B. Riley Securities, Inc. ("B. Riley"), pursuant to which the Company was entitled, at its discretion and from time-to-time during the term of the sales agreement, to sell through B. Riley such number of common shares of the Company as would result in aggregate gross proceeds to the Company of up to $10,300,000 (the "Offering"). The Company would pay B. Riley a commission of up to 3% of the gross proceeds from the sale of common shares pursuant to the ATM Sales Agreement.

During the year ended December 31, 2020, the Company issued 7,334,513 common shares pursuant to the Offering for gross proceeds of $10,299,277. Share issuance costs were $480,946 resulting in net proceeds of $9,818,331 from the Offering.

During the year ended December 31, 2019, the Company issued 121,174 common shares pursuant to the exercise of stock options for total proceeds of $64,254 and transferred related contributed surplus of $51,283 to share capital.

At the Company's 2019 Annual General Meeting of Shareholders held on May 30, 2019, Messrs. John Ellis and Thomas Irwin did not stand for re-election as director. On June 5, 2019, in accordance with the Company's Deferred Share Unit Plan, the Company issued 230,907 common shares to each of the two past directors for a total of 461,814 common shares and transferred related contributed surplus of $245,592 to share capital.

### Stock options

The Company adopted an incentive stock option plan in 2006, as amended September 19, 2012 and re-approved by the Company's shareholders on May 28, 2015 and May 30, 2018 (the "2006 Plan"). The essential elements of the 2006 Plan provide that the aggregate number of common shares of the Company's capital stock that may be issued pursuant to options granted under the 2006 Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the 2006 Plan have a maximum term of ten years. The exercise price of options granted under the 2006 Plan shall be fixed in compliance with the applicable provisions of the TSX Company Manual in force at the time of grant and, in any event, shall not be less than the closing price of the Company's common shares on the TSX on the trading day immediately preceding the day on which the option is granted, or such other price as may be agreed to by the Company and accepted by the TSX. Options granted under the 2006 Plan vest immediately, unless otherwise determined by the directors at the date of grant.

During the year ended December 31, 2020, the Company granted a total of 255,000 incentive stock options to employees of the Company to purchase common shares in the capital stock of the Company at an issue price of C$0.92 per share. Of the total 255,000 stock options granted, 150,000 were granted to Mr. Karl Hanneman, Chief Executive Officer. All of the options vest one-third on the grant date, one-third on May 27, 2021, one-third on May 27, 2022 and expire on May 27, 2026.

During the year ended December 31, 2019, the Company granted a total of 187,232 incentive stock options to employees of the Company to purchase common shares in the capital stock of the Company at an issue price of C$0.85 per share. Of the total 187,232 stock options granted, 150,000 were granted to Mr. Karl Hanneman, Chief Executive Officer. All of the options vested 100% on the grant date of August 8, 2019 and expire on August 8, 2025.

A summary of the status of the stock option plan as of December 31, 2020 and 2019 and changes during the fiscal years is presented below:

| | **Year Ended December 31, 2020** | | | **Year Ended December 31, 2019** | | |
|---|---|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price (C$) | Aggregate Intrinsic Value (C$) | Number of Options | Weighted Average Exercise Price (C$) | Aggregate Intrinsic Value (C$) |
| Balance, beginning of the year | 2,452,049 | $ 0.94 | | 3,655,991 | $ 0.98 | |
| Granted | 255,000 | $ 0.92 | | 187,232 | $ 0.85 | |
| Exercised | - | - | | (121,174) | $ 0.70 | |
| Cancelled | - | - | | (1,270,000) | $ 1.06 | |
| Balance, end of the year | 2,707,049 | $ 0.94 | $ 2,287,262 | 2,452,049 | $ 0.94 | $ 59,734 |

The weighted average remaining life of options outstanding at December 31, 2020 was 2.6 years.

Stock options outstanding are as follows:

| | **December 31, 2020** | | | **December 31, 2019** | | |
|---|---|---|---|---|---|---|
| Expiry Date | Exercise Price (C$) | Number of Options | Exercisable | Exercise Price (C$) | Number of Options | Exercisable |
| February 25, 2022 | $ 1.11 | 510,000 | 510,000 | $ 1.11 | 510,000 | 510,000 |
| February 25, 2022 | $ 0.73 | 270,000 | 270,000 | $ 0.73 | 270,000 | 270,000 |
| March 10, 2022 | $ 1.11 | 120,000 | 120,000 | $ 1.11 | 120,000 | 120,000 |
| March 16, 2023 | $ 1.00 | 580,000 | 580,000 | $ 1.00 | 580,000 | 580,000 |
| March 16, 2023 | $ 0.50 | 130,000 | 130,000 | $ 0.50 | 130,000 | 130,000 |
| June 9, 2023 | $ 1.00 | 30,000 | 30,000 | $ 1.00 | 30,000 | 30,000 |
| March 21, 2024 | $ 0.61 | 374,817 | 374,817 | $ 0.61 | 374,817 | 374,817 |
| February 1, 2025 | $ 1.35 | 250,000 | 250,000 | $ 1.35 | 250,000 | 250,000 |
| August 8, 2025 | $ 0.85 | 187,232 | 187,232 | $ 0.85 | 187,232 | 187,232 |
| May 27, 2026 | $ 0.92 | 255,000 | 85,000 | - | - | - |
| | | 2,707,049 | 2,537,049 | | 2,452,049 | 2,452,049 |

A summary of the non-vested options as of December 31, 2020 and 2019 and changes during the fiscal years ended December 31, 2020 and 2019 is as follows:

| Non-vested options: | Number of options | Weighted average grant-date fair value (C$) |
|---|---|---|
| Outstanding at December 31, 2018 | 83,333 | $0.40 |
| Granted | 187,232 | $0.62 |
| Vested | (270,565) | $0.55 |
| Outstanding at December 31, 2019 | - | - |
| Granted | 255,000 | $0.76 |
| Vested | (85,000) | $0.76 |
| Outstanding at December 31, 2020 | 170,000 | $0.76 |

At December 31, 2020, there was $71,430 of unrecognized compensation expense related to non-vested options outstanding.

**Deferred Share Unit Incentive Plan**

On April 4, 2017, the Company adopted a Deferred Share Unit Plan (the "DSU Plan"). On May 24, 2017, at the Company's Annual General and Special Meeting of Shareholders, the DSU Plan was approved. As at December 31, 2020, the maximum aggregate number of common shares that could be issued under the DSU Plan and the 2006 Plan was 19,490,818, representing 10% of the number of issued and outstanding common shares on that date (on a non-diluted basis). As at December 31, 2020, the Company had stock options to potentially acquire 2,707,049 common shares outstanding under the 2006 Plan (representing approximately 1.39% of the outstanding common shares), leaving up to 16,783,769 common shares available for future grants under the DSU Plan and under the 2006 Plan (combined) based on the number of outstanding common shares as at that date on a non-diluted basis (representing an aggregate of approximately 8.61% of the outstanding common shares).

During the year ended December 31, 2020, in accordance with the DSU Plan, the Company granted each of the members of the Company's Board of Directors (other than those directors nominated for election by Paulson & Co., Inc.) 90,217 DSUs for a total of 451,085 DSUs with a grant date fair value (defined as the weighted average of the prices at which the common shares traded on the exchange with the most volume for the five trading days immediately preceding the grant) of C$0.92 per DSU, representing C$83,000 per director or C$415,000 in the aggregate.

During the year ended December 31, 2019, in accordance with the Company's DSU Plan, the Company granted each of the members of the Board of Directors (other than those directors nominated for election by Paulson & Co., Inc.) 97,647 DSUs for a total of 488,235 DSUs with a grant date fair value (defined as the weighted average of the prices at which the common shares traded on the exchange with the most volume for the five trading days immediately preceding the grant) of C$0.85 per DSU, representing C$83,000 per director or C$415,000 in the aggregate.

The DSUs entitle the holders to receive common shares of the Company's stock without the payment of any consideration. The DSUs vested immediately upon being granted, but the common shares of stock underlying the DSUs are not deliverable to the grantee until the grantee is no longer serving on the Company's Board of Directors.

DSUs outstanding are as follows:

| | **Year Ended December 31, 2020** | | **Year Ended December 31, 2019** | |
|---|---|---|---|---|
| | Number of DSUs | Weighted average grant-date fair value (C$) | Number of DSUs | Weighted average grant-date fair value (C$) |
| Balance, beginning of the year | 1,383,396 | $0.77 | 1,356,975 | $0.72 |
| Issued | 451,085 | $0.92 | 488,235 | $0.85 |
| Delivered | - | - | (461,814) | $0.71 |
| Balance, end of the year | 1,834,481 | $0.81 | 1,383,396 | $0.77 |

**Share-based payments**

During the year ended December 31, 2020, the Company granted 255,000 stock options and 451,085 DSUs for common shares of the Company. Share-based payment compensation for the year ended December 31, 2020 totaled $385,531 ($90,914 related to stock options and $294,617 related to DSUs). Of the total expense for the year ended December 31, 2020, $304,205 was included in consulting fees, $74,870 was included in wages and benefits, and $6,456 was included in investor relations in the statement of operations and comprehensive loss.

During the year ended December 31, 2019, the Company granted 187,232 stock options and 488,235 DSUs for common shares of the Company. Share-based payment compensation for the year ended December 31, 2019 totaled $405,857 ($89,140 related to stock options and $316,717 related to DSUs). Of the total expense for the year ended December 31, 2019, $316,717 was included in consulting fees and $89,140 was included in wages and benefits in the statement of operations and comprehensive loss.

The following weighted average assumptions were used for the Black-Scholes option pricing model of the stock options:

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|
| Expected life of options | 6 years | 6 years |
| Risk-free interest rate | 0.40% | 1.23% |
| Expected volatility | 80.92% | 85.44% |
| Dividend rate | 0.00% | 0.00% |
| Exercise price (C$) | $0.92 | $0.85 |

The expected volatility used in the Black-Scholes option pricing model is based on the historical volatility of the Company's shares.

## 8. SEGMENT AND GEOGRAPHIC INFORMATION

The Company operates in a single reportable operating segment, being the exploration and development of mineral properties. The following tables present selected financial information by geographic location:

| | Canada | United States | Total |
|---|---|---|---|
| **December 31, 2020** | | | |
| Mineral property | $ - | $ 55,375,124 | $ 55,375,124 |
| Property and equipment | 7,832 | - | 7,832 |
| Current assets | 12,862,068 | 349,304 | 13,211,372 |
| Total assets | $ 12,869,900 | $ 55,724,428 | $ 68,594,328 |
| **December 31, 2019** | | | |
| Mineral property | $ - | $ 55,375,124 | $ 55,375,124 |
| Property and equipment | 7,979 | 7,455 | 15,434 |
| Current assets | 6,652,289 | 523,886 | 7,176,175 |
| Total assets | $ 6,660,268 | $ 55,906,465 | $ 62,566,733 |

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|
| Net loss for the year - Canada | $ (1,134,685) | $ (1,223,489) |
| Net loss for the year - United States | (3,384,033) | (2,602,918) |
| Net loss for the year | $ (4,518,718) | $ (3,826,407) |

## 9. COMMITMENTS

The following table discloses, as of December 31, 2020, the Company's contractual obligations including anticipated mineral property payments and work commitments. Under the terms of the Company's mineral property purchase agreements, mineral leases and the terms of the unpatented mineral claims held by it, the Company is required to make certain scheduled acquisition payments, incur certain levels of expenditures, make lease or advance royalty payments, make payments to government authorities and incur assessment work expenditures as summarized in the table below in order to maintain and preserve the Company's interests in the related mineral properties. If the Company is unable or unwilling to make any such payments or incur any such expenditures, it is likely that the Company would lose or forfeit its rights to acquire or hold the related mineral properties. The following table assumes that the Company retains the rights to all of its current mineral properties, but does not exercise any lease purchase or royalty buyout options:

| | Payments Due by Year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 and beyond | Total |
| Mineral Property Leases(1) | $428,860 | $433,221 | $521,526 | $527,045 | $532,633 | $538,291 | $2,981,576 |
| Mining Claim Government Fees | 132,460 | 132,460 | 132,460 | 132,460 | 132,460 | 132,460 | 794,760 |
| Total | $561,320 | $565,681 | $653,986 | $659,505 | $665,093 | $670,751 | $3,776,336 |

1. Does not include required work expenditures, as it is assumed that the required expenditure level is significantly below the work for which will actually be carried out by the Company. Does not include potential royalties that may be payable (other than annual minimum royalty payments). See Note 4.

## 10. RELATED PARTY TRANSACTIONS

On August 31, 2020, the Company entered into an At Market Issuance ("ATM") Sales Agreement with B. Riley Securities, Inc. ("B. Riley"), pursuant to which the Company was entitled, at its discretion and from time-to-time during the term of the sales agreement, to sell through B. Riley such number of common shares of the Company as would result in aggregate gross proceeds to the Company of up to $10,300,000 (the "Offering"). No offers or sales of common shares were made in Canada through the facilities of the Toronto Stock Exchange or other trading markets. On September 2, 2020, the Company announced that its existing three largest shareholders had each taken their pro-rata share of the Offering, resulting in the issuance of 4,490,997 common shares (representing 2% of the 187,573,671 shares previously issued and outstanding) at the September 1, 2020 closing market price of $1.40 per share for aggregate gross proceeds of $6,287,396.

## 11. LEASES

On December 12, 2019, the Company entered into a one-year operating lease agreement (for the lease period of January 1, 2020 through December 31, 2020) of the Fairbanks office. After the initial one-year lease period, the agreement has continued on a month-to-month basis. Therefore, the Company has elected the short-term lease recognition exemption for the office lease. Accordingly, office lease costs will continue to be reported as rent expense on the Consolidated Statements of Operations and Comprehensive Loss and the Company will not recognize a right-of-use (ROU) asset and lease liability on the Consolidated Balance Sheets.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

As of December 31, 2020, an evaluation was carried out under the supervision of and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on the evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of December 31, 2020, the Company's disclosure controls and procedures were effective in ensuring that information required to be disclosed in reports filed or submitted to the SEC under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, in a manner that allows for timely decisions regarding required disclosures.

The effectiveness of our or any system of disclosure controls and procedures, however well designed and operated, can provide only reasonable assurance that the objectives of the system will be met and is subject to certain limitations, including the exercise of judgment in designing, implementing and evaluating controls and procedures and the assumptions used in identifying the likelihood of future events.

### Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of internal control over financial reporting as of December 31, 2020. In conducting this evaluation, management used the framework established by the Committee of Sponsoring Organizations of the Treadway Commission as set forth in Internal Control – Integrated Framework (2013). Based on this evaluation under the framework in Internal Control – Integrated Framework (2013), management concluded that internal control over financial reporting was effective as of December 31, 2020**.**

Because of its inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will achieve its stated objectives under all future conditions.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report on Form 10-K.

### Changes in Internal Control over Financial Reporting

There were no changes in internal controls over financial reporting during the fourth quarter ended December 31, 2020 that have materially, or are reasonably likely to materially affect, the Company's internal control over financial reporting.