

Lupaka Gold Corp.

Condensed Interim Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Presented in Canadian Dollars) - Unaudited

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

Lupaka Gold Corp.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2021 and December 31, 2020

(expressed in Canadian Dollars, Except Share Data) - Unaudited

	March 31, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Cash	70,951	6,024
GST receivable	4,281	4,003
Prepaid expenses and deposits	1,075	1,601
	76,307	11,628
Non-current assets		
Equipment	177	354
Total assets	76,484	11,982
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	631,726	673,983
Due to related parties (Note 4)	32,550	33,500
Total liabilities	664,276	707,483
Shareholders' Equity		
Common shares (Note 6 (a))	59,701,753	59,725,318
Warrants (Note 6 (b))	1,523,463	1,375,919
Contributed surplus	6,938,673	6,924,748
Deficit	(67,909,401)	(67,879,206)
Accumulated other comprehensive income (loss)	(842,280)	(842,280)
Total equity	(587,792)	(695,501)
Total liabilities and equity	76,484	11,982

Nature of operations and going concern (Note 1)

Approved and authorized for issue by the Board of Directors on May 26, 2021

signed "Gordon Ellis"

Director

signed "Mario Stifano"

Director

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

Lupaka Gold Corp.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss For the three months ended March 31, 2021 and 2020

(expressed in Canadian Dollars, Except Share Data) - Unaudited

	2021	2020
	\$	\$
Operating expenses		
General and administration		
Salaries, benefits and fees	28,693	21,802
Office and general	3,059	3,876
Shareholder and investor relations	2,914	2,848
Professional and regulatory fees	(2,179)	9,418
General and administration	32,487	37,944
Operating loss	(32,487)	(37,944)
Re-measurement of PLI liability (Note 5)	-	(2,110,224)
Foreign exchange gain (loss)	2,292	(19,830)
Loss and comprehensive loss for the period	(30,195)	(2,167,998)
 Weighted average number of shares outstanding		
Basic and diluted	152,872,827	148,509,368
 Loss per share, basic and diluted	(\$0.00)	(\$0.01)

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Lupaka Gold Corp.

Condensed Interim Consolidated Statements of Cash Flows For the three months ended March 31, 2021 and 2020

(presented in Canadian Dollars) - Unaudited

	2021	2020
	\$	\$
Cash flows used in operating activities		
Net loss for the period	(30,195)	(2,167,998)
Adjustment for items not affecting cash:		
Re-measurement of PLI and other liability (Note 6 (b))	-	2,110,224
Share-based compensation expense (Note 6)	18,987	13,713
Depreciation	177	177
	(11,031)	(43,884)
Changes in non-cash working capital		
GST receivable	(278)	(993)
Prepaid expenses and deposits	526	1,312
Accounts payables and accrued liabilities	(42,257)	11,541
Due to/from related parties (Note 6)	(950)	-
Net cash used in operating activities	(53,990)	(32,024)
Cash flows from financing activities		
Proceeds from private placement, net (Note 6)	100,000	-
Proceeds from the exercise of options (Note 6)	18,917	-
Net cash from financing activities	118,917	-
Net increase (decrease) in cash	64,927	(32,024)
Cash- beginning of period	6,024	76,122
Cash - end of period	70,951	44,098

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Condensed Interim Consolidated Statements of Changes in Equity For the three months ended March 31, 2021 and 2020

(presented in Canadian Dollars, Except Share Data) - Unaudited

	2021		2020	
	Number	\$	Number	\$
Common shares (Note 6 (a))				
Balance – beginning of period	153,509,368	59,725,318	148,509,368	59,625,318
Issued in private placement	2,000,000	100,000	-	-
Issued pursuant to the exercise of options	378,334	18,917		
Fair value of stock options exercised		5,062		
Fair value of share purchase warrants issued		(147,544)		
Balance – end of period	153,887,702	59,701,753	148,509,368	59,625,318
Share purchase warrants (Note 6 (b))				
Balance – beginning of period		1,375,919		1,524,254
Issued pursuant to a private placement		147,544		-
Share purchase warrants expired		-		(18,961)
Balance – end of period		1,523,463		1,505,293
Contributed surplus				
Balance – beginning of period		6,924,748		6,708,970
Share-based compensation		18,987		13,713
Fair value of stock options exercised		(5,062)		-
Fair value of share purchase warrants expired		-		18,961
Balance – end of period		6,938,673		6,741,644
Deficit				
Balance – beginning of period		(67,879,206)		(88,552,165)
Net loss for the period		(30,195)		(2,167,998)
Balance – end of period		(67,909,401)		(90,720,163)
Accumulated other comprehensive income				
Balance – beginning and end of period		(842,280)		(842,280)
Total shareholders' equity		(587,792)		(23,690,188)

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

Lupaka Gold Corp.

Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2021 and 2020

(presented in Canadian Dollars) - unaudited

1 Nature of operations and going concern

Lupaka Gold Corp. (“Lupaka” or “the Company”) was incorporated in Canada on November 3, 2000 under the legislation of the Province of British Columbia, and is in the business of acquisition, exploration and development of mineral resource properties. Lupaka was dormant prior to January 1, 2010.

Lupaka’s head office, and records and registered offices are located at 1569 Dempsey Road, North Vancouver, BC V7K 1S8. Lupaka’s common shares trade in Canada on the TSX Venture Exchange (“TSX.V”) and in Germany on the Frankfurt Exchange under the symbol LQP.

Collectively, Lupaka and its subsidiaries are referred to hereafter as “the Company”.

The Company presently does not have any active projects as a result of its loss of ownership of the Invicta Gold Project (“Invicta”) to PLI Huaura Holdings LP (“PLI”; see Note 5). However, management is continuing to seek out gold exploration projects for potential development and investment.

Going Concern

These Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

As at March 31, 2021, the Company has a working capital deficit (current assets less current liabilities) of \$587,969 (December 31, 2020 - \$695,855 deficit) and accumulated deficit of \$67,909,401 (December 31, 2020 – accumulated deficit of \$67,879,206). For the three-month period ended March 31, 2021, the Company had a net loss of \$30,195 (2020 – net loss of \$2,167,998) and used cash in operating activities of \$53,990 (2020 – cash used of \$32,024).

The Company’s ability to continue as a going concern is dependent upon its ability to generate positive cash flow from operating activities or to raise funds primarily through the issuance of shares or obtaining alternative financing, which it has been successful in doing so in the past. There can be no assurance that sufficient financing can be obtained in the future. As a result, there are material uncertainties that cast significant doubt about the Company’s ability to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

As the outcome of these matters cannot be predicted at this time, if the Company is unable to generate positive cash flow from operating activities or obtain additional financing, management may be required to further curtail certain expenses.

In 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a potential material impact to the Company’s activities, cash flows, liquidity and its ability to raise additional capital. Various restrictions on gatherings, work and access to remote communities near the Company’s potential/future projects may also impact the Company’s ability to perform operational activities.

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2 Statement of compliance and basis of preparation

These condensed interim consolidated financial statements (“interim financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, and International Financial Reporting Standards (“IFRS”). These interim financial statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2020, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

These interim financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss. In addition, except for cash flow information, these interim financial statements have been prepared using the accrual method of accounting. All dollar amounts presented are in Canadian dollars unless otherwise specified.

The results of any subsidiaries acquired or disposed of during the period are included in the consolidated statements of income (loss) and comprehensive income (loss) from the effective date of acquisition up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of subsidiaries to bring their accounting policies into line with those used by the Company. Inter-company transactions, balances, loss, comprehensive loss and expenses are eliminated on consolidation, where appropriate.

The consolidated financial statements include the accounts of Lupaka and its wholly-owned subsidiaries, which are as follows:

- Andean American Gold Corp. (“AAG”), a Canadian company
- Lupaka Gold Peru S.A.C. (“LGP”), a Peru company
- Andean Exploraciones S.A.C. (“AES”), a Peru company (inactive)
- Greenhydro S.A.C. (“Greenhydro”), a Peru company (inactive)

3 Significant accounting policies

The Company’s management makes judgments in its process of applying the Company’s accounting policies in the preparation of the interim financial statements. In addition, the preparation of the financial data requires that the Company’s management to make assumptions and estimates of the impacts of uncertain future events on the carrying amounts of the Company’s assets and liabilities at the end of the reporting period, and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

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4 Related party transactions

Details of transactions between the Company and other related parties are disclosed below:

a) Related party expenditures

During the three months ended March 31, 2021, the Company accrued \$4,000 for management fees to DFJ Consulting Services Ltd. a company owned by the CFO of the Company. During the three months ended March 31, 2020, the Company had no related party expenditures.

(b) Key management compensation

Key management includes directors and executive officers of the Company. The compensation paid or payable to key management for employee services for the three months ended March 31, 2021 and 2020 is shown below:

	2021	2020
	\$	\$
Salaries, fees and benefits	11,599	12,703
Share-based compensation	13,680	13,270
Total	25,279	25,973

(c) Due to current and former related parties

Amounts due to or from related parties are unsecured and non-interest bearing and measured at the amount of consideration established and agreed to by the related parties.

As at March 31, 2021:

- \$3,150, including GST, was payable to the Company's CFO for outstanding management fees, which is included in Accounts Payable
- \$2,100 was payable to ABE and \$27,300 was payable to Havilah for services rendered in 2019 and prior years, both of which are included in Due to Related Parties;
- \$12,087 was payable to a former CEO of the Company for previously deferred salary, which is included in Accounts Payable;
- \$7,641 was payable to a former CFO of the Company for outstanding management fees, which is included in Accounts Payable; and
- \$266,750 was payable to a former CEO of the Company pursuant to a March 2018 settlement agreement between the parties, which is included in Accounts Payable.

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(presented in Canadian Dollars) - unaudited

5 Due to PLI and loss due to loss of control over IMC

- a) PLI Financing Agreement, Notice of Default and Early Termination, and Signing of Mutual Releases

By agreement dated June 30, 2016 and amended August 2, 2017, the Company executed the PLI Financing Agreement with PLI to fund US\$7 million for the completion of development and to initiate production at IMC's Invicta Gold Project - see Deferred Revenue below.

On July 2, 2019, the Company received a formal Notice of Acceleration ("Acceleration Notice") from PLI regarding the PLI Financing Agreement. The Acceleration Notice claims that as a result of existing specified claims of alleged default, PLI declared an early termination date of the loan and requested immediate payment of approximately US\$15.6 million. In October 2019, the Company was advised that PLI had seized all of the ownership shares of IMC, effective July 2, 2019, resulting in the Company losing control of IMC and Invicta.

On November 12, 2019, the Company received a Notice of Indemnification and Reservation of Rights letter dated November 8, 2019 from PLI Huaura Holdings L.P., which primarily demanded that the Company make the indemnification payments to PLI in respect of the PLI Financing Agreement (which PLI claims, as of October 31, 2019, totaled an aggregate of approximately US\$16 million), and all other amounts outstanding under the PLI Financing Agreement were to be paid immediately on demand and that PLI hereby made a demand for payment of such amounts.

As at December 31, 2019, the amount due to PLI was measured at \$20,847,435. During the year ended December 31, 2020, the Company recognised a loss of \$1,352,618 until the date of discharge. As a result of the Mutual Release with PLI, the amount due to PLI of \$22,200,053 was eliminated and a corresponding gain on discharge was recognized in the statement of income (loss).

- b) Arbitration Claim made under the Canada-Peru Free Trade Agreement ("CPFTA")

The specified claims of default relate primarily to the Company's inability to make scheduled repayments against the PLI Financing Agreement as a result of the ongoing illegal road blockade carried out by the community of Paran at Invicta. Despite numerous requests for resolution assistance from local and federal government officials of the Republic of Peru, the requested assistance was not provided and the blockade continued, resulting in the Company's loss of its ownership of IMC and the Invicta Gold Project.

On December 12, 2019, the Company delivered to the Peruvian Minister of Economy and Finance a Notice of Intent to Submit a Claim to Arbitration in accordance with the 2009 Free Trade Agreement between Canada and Peru (the "CPFTA Arbitration"). In this respect, the Company has engaged Lalive (London, UK) LLP to represent its interests in the CPFTA Arbitration.

While the Company and PLI disputed each other's actions and claims, effective July 22, 2020, mutual releases (the "Release") were executed between the Company and its subsidiaries (together, the "Lupaka Parties") and PLI Huaura Holdings L.P. ("PLI"), Invicta Mining Corp S.A.C. ("IMC") and certain associated parties of PLI (the "PLI Parties").

As a result, all claims made or in the process of being made by the Lupaka Parties against the PLI Parties are deemed to be released and forever discharged from each and every one of the PLI Parties; and all claims made or in the process of being made by the PLI Parties against the Lupaka Parties are deemed to be released and forever discharged from each and every one of the Lupaka Parties.

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Due to PLI and loss due to loss of control over IMC (continued)

A significant outcome of the release to the Company is that the liability of \$22,200,053 to PLI was fully discharged by the PLI Parties and eliminated in the prior fiscal year.

On August 4, 2020, the Company reported that it had entered into an Arbitration Funding Agreement with Bench Walk Advisors (“BWA”) to support the Company’s arbitration claim against the Republic of Peru under the 2009 Canada-Peru Free Trade Agreement (“FTA. The

Agreement allows for up to USD\$4.1 million to support the arbitration and related costs. Amounts advanced by BWA are repayable only upon completion of a successful claim and recovery. The actual amount received by BWA will vary in accordance with the actual settlement received by the Company from the Republic of Peru. As such, the financing is non-dilutive to current Lupaka shareholders. Precise terms of the Arbitration Funding Agreement (other than those set out herein) are confidential.

6 Equity

a) Common shares

Authorized: unlimited with no par value.

On January 20, 2021, the Company completed a non-brokered private placement with third-party individuals raising gross proceeds of \$100,000 and issuing 2,000,000 units at a price of \$0.05 per unit. Each unit consists of one common share of the Company (“Share”) and one transferable common share purchase warrant (“Warrant Share”) entitling the holder to purchase an additional common share of the Company at a price of \$0.10 for a period of three years from the closing (the “Placement”). All Shares issued and Warrants Shares (if exercised prior to May 21, 2021) are subject to a hold period expiring four months and one day from the closing date of the Placement in accordance with applicable securities laws. No finders’ fees were paid, and no Insiders participated in this Placement.

During the three months ended March 31, 2021, the Company issued 378,334 common shares for gross proceeds of \$18,917 in connection with the exercise of stock options.

On June 10, 2020, the Company completed a non-brokered private placement with third-party individuals raising gross proceeds of \$100,000 and issuing 5,000,000 common shares at a price of \$0.02 per common share. All of the shares issued are subject to a 4- month hold period from the date of issuance.

b) Share purchase warrants

Pursuant to the closing of the January 2021 private placement, the Company issued 2,000,000 Warrant Shares. Each Warrant Share entitles the holder to purchase one additional common share, exercisable at \$0.10 for a period of thirty-six months from closing. The weighted average fair value of the Warrant Shares was estimated to be \$0.07 per warrant at the grant dates using the Black-Scholes option-pricing model and based on the following assumptions:

Exercise price (\$)	0.10
Risk free interest rate (%)	0.6
Expected life (years)	3.0
Expected volatility (%)	173%

As at March 31, 2021, all 2,000,000 Warrant Shares remain outstanding.

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(presented in Canadian Dollars) - unaudited

Equity (continued)

Following is a continuity schedule of the Company's warrants, for the three months ended March 31, 2021 and 2020:

	2021	Weighted average exercise price \$	2020	Weighted average exercise price \$
	Number of share purchase warrants		Number of share purchase warrants	
Warrants outstanding – beginning of period	25,972,008	0.10	28,094,795	0.11
Warrant Shares issued	2,000,000	0.10	-	-
Warrants expired	-	-	(122,787)	0.26
Warrants outstanding – end of period	27,972,008	0.10	27,972,008	0.11

As at March 31, 2021, the Company has 25,972,008 share purchase warrants outstanding at an exercise price of \$0.10 per warrant expiring on September 13, 2021 and 2,000,000 share purchase warrants outstanding at an exercise price of \$0.10 per warrant expiring on January 20, 2024.

c) Share options

The Company has in place an incentive share option plan dated September 20, 2010 (the "Option Plan") for directors, officers, employees and consultants to the Company. The Option Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine, within the limitations of the Option Plan, including:

- The maximum number of common shares issuable pursuant to options granted under the Option Plan shall not exceed 10% of the outstanding common shares issued at the date of grant and
- The terms of options are a minimum of one year and a maximum of ten years from the date the option is granted, with the most common option terms being five years.

Vesting terms are determined for each grant by the Company's Board of Directors.

A summary of changes to share options outstanding and exercisable is as follows:

	2021	Weighted average exercise price \$	2020	Weighted average exercise price \$
	Number of share options		Number of share options	
Options outstanding – beginning of period	13,755,000	0.09	12,155,000	0.12
Forfeited	(378,334)	0.05	(800,000)	0.23
Expired	-	-	-	-
Options outstanding – end of period	13,376,666	0.10	11,355,000	0.11

There were no share options granted in the three months ended March 31, 2021 and 2020.

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Notes to the Condensed Interim Consolidated Financial Statements

Three months ended March 31, 2021 and 2020

(presented in Canadian Dollars) - unaudited

Equity (continued)

Option pricing models require the input of highly subjective assumptions including expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The volatility was calculated using historical volatility of comparable companies as an expectation of the Company's future volatility.

Non-cash share-based compensation costs of \$19,987 have been recorded for the three months ended March 31, 2021 (three months ended March 31, 2020 – \$13,713), and allocated as follows:

	2021	2020
	\$	\$
Salaries and benefits	16,997	11,089
Shareholder and investor relations	1,990	2,624
Total share-based compensation	18,987	13,713

The following table summarizes information about share options outstanding and exercisable at March 31, 2021:

Year of Expiry	Range of exercise prices \$	Outstanding			Exercisable		
		Number of options outstanding	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options exercisable	Weighted average exercise price \$	Weighted average remaining contractual life (years)
2021	0.16	1,405,000	0.16	0.7	1,405,000	0.16	0.7
2022	0.15	1,750,000	0.15	1.6	1,750,000	0.15	1.6
2023	0.12 – 0.23	2,350,000	0.16	2.5	2,350,000	0.16	2.5
2024	0.05 – 0.10	3,821,666	0.06	3.4	3,821,666	0.06	3.4
2025	0.05	4,050,000	0.05	4.5	1,450,000	0.05	4.4
		13,376,666	0.10	3.0	10,776,666	0.11	2.7

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(presented in Canadian Dollars) - unaudited

7 Capital management

The Company's objective when managing capital structure is to maintain liquidity in order to ensure the Company's strategic acquisition and exploration objectives are met. In the management of capital, the Company defines capital as its shareholders' equity (March 31, 2021 – (\$587,792); December 31, 2020 – (\$699,501)).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company intends to continue to assess new resource 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. To maintain or adjust its capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company's annual and updated budgets are approved by the Board of Directors.

At March 31, 2021, the Company is seeking opportunities to obtain further funding to pay liabilities as they come due.

8 Financial risk factors

(a) Financial risk exposure and risk management

The Company's activities expose it to a variety of financial risks, which include credit, liquidity, market, foreign exchange, interest rate, and commodity price risks.

Financial risk management is carried out by the Company's management team with oversight from the Company's Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due (Note 1). The Company manages its liquidity risk through the management of its capital structure and assets.

At March 31, 2021 and December 31, 2020, the Company's undiscounted contractual obligations and their maturity dates were \$664,276 and \$707,483, respectively.

Market and currency risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates, prices, interest rates, and commodity prices.

Interest rate risk

The Company is exposed to financial risk related to the fluctuation of interest rates.

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Financial Risk Factors (continued)

Foreign exchange risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has financial liabilities in US Dollars. A significant change in the currency exchange rates would have an effect on the Company's results of operations. The Company has not hedged its exposure to currency fluctuations.

The Company is exposed to foreign exchange risk through the following financial assets and liabilities denominated in US Dollars ("US\$") as at March 31, 2021 and December 31, 2020:

	March 31, 2021 US\$	December 31, 2020 US\$
Cash	Nil	69
Current liabilities	(165,048)	(165,740)

Based on the above net exposure as at March 31, 2021, and assuming that all other variables remain constant, a 10% appreciation (depreciation) of the Canadian Dollar against the US Dollar would result in an increase or decrease of approximately +/- \$21,000 in the Company's net earnings for the three months ended March 31, 2021 (year ended December 31, 2020 – \$21,000).

(b) Fair value of financial instruments

IFRS 7 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and valuation techniques may have a material effect on the estimated fair value amounts.

The fair values of cash, trade and other receivables and trade and other payables approximate carrying value because of their short-term nature.