

PACIFIC IMPERIAL MINES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Three and Six Months Ended December 31, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a) continuous disclosure requirement, if any auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Pacific Imperial Mines Inc. (the "Company") have been prepared by management and approved by the Board of Directors of the Company. These condensed interim financial statements have not been reviewed by the Company's external auditors.

PACIFIC IMPERIAL MINES INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited, Expressed in Canadian dollars)

| | | December 31, 2020 | June 30, 2020 |
|--|------|----------------------|------------------|
| | Note | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash | | 348,774 | 126,326 |
| GST receivable | | 11,441 | 9,930 |
| Prepaid expenses | | 6,076 | 1,378 |
| Total assets | | 366,291 | 137,634 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 93,338 | 1,715 |
| Due to related parties | 4 | 5,750 | 7,250 |
| Total liabilities | | 99,088 | 8,965 |
| EQUITY | | | |
| Share capital | 5 | 4,539,304 | 4,331,997 |
| Contributed surplus | | 2,599,718 | 2,431,535 |
| Deficit | | (6,871,819) | (6,634,863) |
| Total Equity | | 267,203 | 128,669 |
| Total liabilities and equity | | 366,291 | 137,634 |

Nature of business and continuance of operation (Note 1)

Approved on behalf of the Board of Directors:

"Roman Shklanka"

Roman Shklanka,
Director

"Richard Gosse"

Richard Gosse,
Director

(The accompanying notes are an integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the Three and Six Months Ended December 31, 2020 and 2019

(Unaudited, Expressed in Canadian dollars)

| | Note | Three months ended December 31, | | Six months ended December 31, | |
|--|------|------------------------------------|---------------|----------------------------------|---------------|
| | | 2020 \$ | 2019 \$ | 2020 \$ | 2019 \$ |
| Exploration costs | 3 | 87,197 | 5,942 | 123,791 | 40,338 |
| General and administrative expenses | | | | | |
| Accounting and audit | | 12,000 | 11,780 | 14,500 | 14,030 |
| Depreciation | | - | 26 | - | 52 |
| Legal | | 3,173 | 7,559 | 3,173 | 7,934 |
| Office and miscellaneous | | 6,459 | 4,377 | 6,763 | 7,669 |
| Share based compensation | | 2,841 | - | 80,190 | - |
| Shareholder communications | | 7,051 | 3,652 | 7,051 | 3,652 |
| Transfer agent fees | | 858 | 761 | 1,564 | 1,403 |
| Loss before other items | | 119,579 | 34,097 | 237,032 | 75,078 |
| Other items | | | | | |
| Interest income | | (32) | (234) | (76) | (542) |
| Net loss and comprehensive loss | | 119,547 | 33,863 | 236,956 | 74,536 |
| Loss per share, basic and diluted | | - | - | - | - |
| Weighted average shares outstanding | | 68,881,816 | 68,577,468 | 68,729,642 | 68,577,468 |

(The accompanying notes are an integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Six Months Ended December 31, 2020 and 2019

(Unaudited, Expressed in Canadian Dollars, except number of shares)

| | Share Capital | | Contributed Surplus \$ | Deficit \$ | Total Equity |
|--|---------------------|------------------|------------------------------|--------------------|-----------------|
| | Number of Shares | Amount \$ | | | |
| Balance, June 30, 2019 | 68,577,468 | 4,331,997 | 2,431,535 | (6,540,086) | 223,446 |
| Net loss for the period | - | - | - | (74,536) | (74,536) |
| Balance, December 31, 2019 | 68,577,468 | 4,331,997 | 2,431,535 | (6,614,622) | 148,910 |
| Net loss for the period | - | - | - | (20,241) | (20,241) |
| Balance, June 30, 2020 | 68,577,468 | 4,331,997 | 2,431,535 | (6,634,863) | 128,669 |
| Private placements – net of share issuance cost | 6,300,000 | 218,300 | 77,000 | - | 295,300 |
| Fair value of finders warrants | - | (10,993) | 10,993 | - | - |
| Share based compensation | - | - | 80,190 | - | 80,190 |
| Net loss for the period | - | - | - | (236,956) | (236,956) |
| Balance, December 31, 2020 | 74,877,468 | 4,539,304 | 2,599,718 | (6,871,819) | 267,203 |

(The accompanying notes are integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

For the Three and Six Months Ended December 31, 2020 and 2019

(Unaudited in Canadian dollars)

| | Three months ended December 31, | | Six months ended December 31, | |
|---|------------------------------------|----------------|----------------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Loss for the year | (119,547) | (33,863) | (236,956) | (74,536) |
| Adjustments for non-cash items: | | | | |
| Share based compensation | 2,841 | - | 80,190 | - |
| Depreciation | - | 26 | - | 52 |
| | (116,706) | (33,837) | (156,766) | (74,484) |
| Changes in non-cash working capital items: | | | | |
| Accounts payable and accrued liabilities | 91,345 | 13,815 | 91,623 | 11,364 |
| GST receivable | (1,466) | (1,654) | (1,511) | (1,860) |
| Due to related parties | (4,000) | 2,711 | (1,500) | 4,532 |
| Prepaid expense | (4,698) | - | (4,698) | - |
| Net cash used in operating activities | (35,525) | (18,965) | (72,852) | (60,448) |
| FINANCING ACTIVITIES | | | | |
| Issuance of common shares, net of share issue cost | 295,300 | - | 295,300 | - |
| Net cash used in financing activities | 295,300 | - | 295,300 | - |
| Decrease in cash | 259,775 | (18,965) | 222,448 | (60,448) |
| Cash, beginning of year | 88,999 | 185,591 | 126,326 | 227,074 |
| Cash, end of year | 348,774 | 166,626 | 348,774 | 166,626 |
| Supplemental disclosure of cash flow information: | | | | |
| Interest paid in cash | - | - | - | - |
| Income tax paid in cash | - | - | - | - |

(The accompanying notes are an integral part of these financial statements)

PACIFIC IMPERIAL MINES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended December 31, 2020 and 2019
(Unaudited, Expressed in Canadian Dollars)

1. Nature of Business and Going Concern

Pacific Imperial Mines Inc. (“the Company”) was incorporated under the British Columbia Business Corporations Act since September 18, 1987. The Company’s shares are listed on the TSX Venture Exchange. The Company’s principal office is located at Suite 1700, 700 West Pender Street, Vancouver, B.C. Canada V6C 1G8. The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired.

These financial statements of the Company have been prepared on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has experienced losses since its inception amounting to \$6,871,819 as of December 31, 2020 (June 30, 2020 - \$6,634,863). The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to acquire assets or a business or an interest therein, obtain the necessary financing, and develop assets or operations which will generate cash flows, either as a result of their disposal or from ongoing operations. The Company does not currently have assets or a business capable of generating ongoing cash flows. Although the Company has sufficient cash to meet its current administrative costs, there is no assurance that the Company will be successful in making an acquisition or in raising the necessary financing to do so. In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time. While the extent of the impact is unknown, the Company anticipates this outbreak might increase the difficulty in capital raising. These conditions along with other matters indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to continue as a going concern. While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, adverse conditions may cast significant doubt upon the validity of this assumption.

In the event the Company is unable to arrange appropriate financing, the carrying value of the Company’s assets could be subject to material adjustment. Furthermore, certain market conditions may cast significant doubt upon the validity of the going concern assumption.

These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

PACIFIC IMPERIAL MINES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the Three and Six Months Ended December 31, 2020 and 2019
(Unaudited, Expressed in Canadian Dollars)

2. Summary of Significant Accounting Policies

(a) Basis of presentation

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). Accordingly, they do not include all of the information required for annual financial statements under International Financial Reporting Standards (“IFRS”) as issued by the IASB and should be read in conjunction with the Company’s audited financial statements for the year ended June 30, 2020. These unaudited condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value and are presented in Canadian dollars.

These condensed interim financial statements were approved by the Company’s Board of Directors on February 28, 2021.

(b) Use of estimates and judgements

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares.

At the time of closing a financing involving flow-through shares, the Company allocates proceeds received first to share capital based on the market close price of the common shares at the time the flow-through shares are priced, and any excess is allocated to flow-through premium liability. At the time of closing a financing involving flow-through units consisting of common shares and warrants, the Company allocates proceeds received as follows:

- Share capital – the market close price of the common share
- Contributed Surplus – for the fair value of warrants based on the valuation derived using the Black-Scholes pricing model; and
- Flow-through premium liability – any excess recorded as a liability.

Thereafter, as qualifying resource expenditures are incurred, these costs are charged to operations and the flow-through premium, if any, is expensed to profit or loss.

At the end of each reporting period, the Company reviews its tax position and records an adjustment to its deferred tax accounts for taxable temporary differences, including those arising from the transfer of tax benefits to investors through flow-through shares, if any. For this adjustment, the Company considers the tax benefits (of qualifying resource expenditures already incurred) to have been effectively transferred, if it has formally renounced those expenditures at any time.

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

PACIFIC IMPERIAL MINES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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2. Summary of Significant Accounting Policies (continued)

(c) Recent accounting pronouncements

Accounting standard issued but not yet applied

Other new standards or amendments are either not applicable or not expected to have a significant impact on the Company's financial statements.

3. Mineral Interests

Eagle Mountain Property, California

The Company has acquired by staking a 100% interest in the Eagle Mountain Lithium prospect located in Inyo County, California, within 15 kilometers of the Nevada border. The property currently consists of 167 placer claim units, each 20 acres in size, totaling approximately 3,340 acres located in the Alkali Flats area, near Death Valley Junction and covering most of the Eagle Mountain salina.

On September 12, 2018, the Company entered into a Staking Agreement with Star Peak Mining LLC to stake mining claims near Death Valley Junction California on behalf of Pacific Imperial Mines Nevada Inc.. In accordance with the agreement, Star Peak Mining LLC has staked 77 new placer claims and re-staked 90 existing placers claims on behalf of the Company under the name Pacific Imperial Mines Nevada Inc. On March 29, 2019, the Company staked an additional 56 claims in Inyo County, California to expand the Eagle Mountain Property.

Trek 31 Property, British Columbia

On October 13, 2020, the Company entered into an Option Agreement with Orogen Royalties Corp. ("Orogen") whereby the Company can earn up to an 100% interest in the five claim, 94 km, TREK 31 project situated in the Nechako Plateau of central British Columbia. The terms of the agreement require the Company to incur the following exploration expenditures and make the following cash payments to Orogen as follows:

| | Aggregate Exploration Expenditures (CDN) | Cash Payments (CDN) |
|---|---|----------------------------|
| Within 6 months of Effective Date | - | \$20,000 |
| 1 st Anniversary of Effective Date | \$300,000 | \$30,000 |
| 2 nd Anniversary of Effective Date | \$1,000,000 | \$50,000 |
| 3 rd Anniversary of Effective Date | \$1,500,000 | \$100,000 |
| 4 th Anniversary of Effective Date | \$2,000,000 | \$100,000 |
| 5 th Anniversary of Effective Date | \$3,000,000 | \$1,000,000 |
| TOTAL | \$7,800,000 | \$1,300,000 |

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3. Mineral Interests (continued)

During the three and six months ended December 31, 2020 and 2019, the Company incurred the following exploration costs:

| | Three months ended December 31 | | Six months ended December 31, | |
|--------------------------------|-----------------------------------|--------------|----------------------------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Eagle Mountain Property | | | | |
| Mineral claims and filing fees | - | 5,942 | 36,594 | 40,338 |
| | - | 5,942 | 36,594 | 40,338 |
| Trek 31 Property | | | | |
| Field expenses | 17,324 | - | 17,324 | - |
| Geo-physical | 65,723 | - | 65,723 | - |
| Project management fee | 210 | - | 210 | - |
| Travel and accommodation | 3,940 | - | 3,940 | - |
| | 87,197 | - | 87,197 | - |
| Total | 87,197 | 5,942 | 123,791 | 40,338 |

4. Related Party Balances and Transactions

During the three and six months ended December 31, 2020 and 2019, the Company had the following transactions with related parties:

(a) Key management compensation

Key management consists of senior officers and directors of the Company; their compensation is as follows:

| | Three months ended December 31, | | Six months ended December 31, | |
|--------------------------|------------------------------------|--------------|----------------------------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$ | \$ | \$ | \$ |
| Consulting fees | 3,000 | 2,250 | 5,750 | 4,530 |
| Share based compensation | 2,841 | - | 80,190 | - |
| Total | 5,841 | 2,250 | 85,940 | 4,530 |

As at December 31, 2020 there was \$5,750 (June 30, 2020 - \$7,250) owing to officers of the Company for consulting fees.

Related party amounts are unsecured, non-interest bearing and due on demand. These transactions are measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

PACIFIC IMPERIAL MINES INC.
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5. Share Capital

(a) Authorized: unlimited common shares with no par value

(b) Issued and outstanding:

During the period ended December 31, 2020

On December 11, 2020, the Company completed a non-brokered flow-through private placement of 1,400,000 units at a price of \$0.05 per unit for a gross amount of \$70,000. Each unit is comprised of one flow-through common share and one share purchase warrant, with each warrant exercisable into one common share at a price of \$0.10 for a period of two years from closing. On issuance, the Company allocated the total proceeds between share capital and warrants and recorded \$42,000 to share capital and \$28,000 to contributed surplus.

On December 31, 2020, the Company completed a brokered flow-through private placement of 4,900,000 units at a price of \$0.05 per unit for a gross amount of \$245,000. Each unit is comprised of one flow-through common share and one share purchase warrant, with each warrant exercisable into one common share at a price of \$0.10 for a period of two years from closing. On issuance, the Company allocated the total proceeds between share capital and warrants and recorded \$196,000 to share capital and \$49,000 to contributed surplus.

In connection with the brokered private placement, the Company paid a finders' fee of \$19,700 and issued 392,000 finders warrants. The finders' warrants were determined to have a fair value of \$10,993. The finder warrants are exercisable for two years at \$0.10 per share. The fair value of the finders' warrants was calculated using the Black-Scholes Option Pricing Model. The assumptions used in the pricing model were: a share price at grant date of \$0.04, an expected life of 2 years; annualized volatility of 183%; a risk free interest rate of 0.18%; and zero expected dividend yield.

During the year ended June 30, 2020

The Company did not issue any common shares during the year ended June 30, 2020.

(c) Options

The Company has adopted a stock option plan whereby the Company can grant stock options to directors, officers, employees and consultants to acquire up to 10% of the issued and outstanding share capital of the Company from time to time.

The following table summarizes the continuity of the Company's stock options issued and outstanding at December 31, 2020:

| | Number of options | Weighted average exercise price |
|-----------------------------------|----------------------|---------------------------------------|
| Balance, June 30, 2019 | 2,650,000 | \$0.05 |
| Expired | (850,000) | \$0.05 |
| Balance, June 30, 2020 | 1,800,000 | \$0.05 |
| Granted | 2,400,000 | \$0.05 |
| Balance, December 31, 2020 | 4,200,000 | \$0.05 |

PACIFIC IMPERIAL MINES INC.
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(Unaudited, Expressed in Canadian Dollars)

5. Share Capital (continued)

(c) Options (continued)

The following table summarizes the number of stock options outstanding and exercisable at December 31, 2020:

| Expiry Date | Exercise price | Options Outstanding | | Options Exercisable | |
|--------------------|----------------|---------------------|--|---------------------|--|
| | | Number of options | Weighted average remaining contractual life in years | Number of options | Weighted average remaining contractual life in years |
| February 23, 2023 | \$0.05 | 1,800,000 | 2.2 | 1,800,000 | 2.2 |
| September 29, 2025 | \$0.05 | 2,300,000 | 4.8 | 2,300,000 | 4.8 |
| November 3, 2020 | \$0.05 | 100,000 | 4.8 | 100,000 | 4.8 |
| | | <u>4,200,000</u> | <u>3.6</u> | <u>4,200,000</u> | <u>3.6</u> |

On September 29, 2020, 2,300,000 stock options with an exercise price of \$0.05 were granted to certain consultants, directors and officers of the Company. Options granted all vest immediately and have a life of five years. The fair value of options granted in the period was \$77,349 and estimated using the Black-Scholes option-pricing model. The assumptions used in the pricing model were: a share price at grant date of \$0.035, an expected life of 5 years; annualized volatility of 191%; a risk free interest rate of 0.34%; and zero expected dividend yield.

On November 3, 2020, 100,000 stock options with an exercise price of \$0.05 were granted to a director of the Company. Options granted all vest immediately and have a life of five years. The fair value of options granted in the period was \$2,841 and estimated using the Black-Scholes option-pricing model. The assumptions used in the pricing model were: a share price at grant date of \$0.03, an expected life of 5 years; annualized volatility of 182%; a risk free interest rate of 0.42%; and zero expected dividend yield.

For the six months ended December 31, 2020, the Company recognized a share based compensation expense of \$80,190 (June 30, 2020 - \$Nil).

(d) Warrants

The following table summarizes the Company's warrants at December 31, 2020:

| | Number of warrants | Weighted average exercise price |
|-----------------------------------|--------------------|---------------------------------|
| Balance, June 30, 2020 | - | - |
| Issued | 6,692,000 | \$0.10 |
| Balance, December 31, 2020 | 6,692,000 | \$0.10 |

PACIFIC IMPERIAL MINES INC.
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5. Share Capital (continued)

(d) Warrants (continued)

Details of share purchase warrants outstanding at December 31, 2020:

| Expiry Date | Exercise Price | Number of warrants | Weighted average remaining contractual life in years |
|-----------------------------------|-----------------------|---------------------------|---|
| December 11, 2022 | \$0.10 | 1,400,000 | 1.97 |
| December 31, 2022 | \$0.10 | 5,292,000 | 2.00 |
| Balance, December 31, 2020 | \$0.10 | 6,692,000 | 1.99 |

6. Management of Capital

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of mineral properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises of equity.

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. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments with financial institutions with terms to maturity selected to match expected timing of expenditures from continuing operations.

7. Financial Instruments and Financial Risk

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash, accounts payable and amounts due to related parties.

The following table summarizes information regarding the carrying values of the Company's financial instruments:

| | December 31, 2020 | June 30, 2020 |
|----------------------------------|------------------------------|--------------------------|
| | \$ | \$ |
| Assets as FVTPL (i) | 348,774 | 126,326 |
| Other financial liabilities (ii) | 99,088 | 8,965 |

PACIFIC IMPERIAL MINES INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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7. Financial Instruments and Financial Risk (continued)

- (i) Cash
- (ii) Accounts payable, and amounts due to related parties

Fair Value

For fair value estimates, the Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Significant unobservable inputs which are supported by little or no market activity.

Cash is measured at fair value on a recurring basis using Level 1 inputs. The estimated fair values of accounts payable and amounts due to related parties approximate their respective carrying values due to their short periods to maturity.

The Company's risk exposures and the related potential impact on the Company's financial instruments are summarized below:

Credit Risk

The Company is not exposed to significant credit risk. The Company limits exposure to credit risk by maintaining its cash with financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term administrative expenditures by raising additional funds through share issuances when required. All the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper.

Foreign Exchange Risk

As at December 31, 2020 the Company is not exposed to significant foreign exchange risk. The Company does not actively manage this risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.