

HIGHWAY 50 GOLD CORP.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED**

December 31, 2020 AND 2019

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Highway 50 Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Highway 50 Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, cash flows, and shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred losses since its inception and, as at December 31, 2020, the Company had a working capital deficiency of \$56,633 and an accumulated deficit of \$7,853,021. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

April 23, 2021

Highway 50 Gold Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at

	December 31, 2020	December 31, 2019
ASSETS		
Current		
Cash	\$ 125,968	\$ 159,388
Receivables	16,210	11,870
Prepaid expenses	1,098	1,890
	143,276	173,148
Equipment	13,240	14,675
Reclamation bonds (Note 4)	89,284	91,209
Exploration and evaluation assets (Note 4)	3,872,186	3,426,326
	\$ 4,117,986	\$ 3,705,358
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 16,909	\$ 15,628
Due to related parties (Note 6)	183,000	740,000
	199,909	755,628
Non-current		
Due to related parties (Note 6)	872,000	-
Loans payable (Note 6)	314,274	-
Total liabilities	1,386,183	755,628
Shareholders' equity		
Capital stock (Note 5)	8,525,706	8,346,372
Share compensation reserve (Note 5)	2,059,118	1,489,016
Deficit	(7,853,021)	(6,885,658)
Total shareholders' equity	2,731,803	2,949,730
Total liabilities and shareholders' equity	\$ 4,117,986	\$ 3,705,358

Nature and continuance of operations (Note 1)
Basis of preparation (Note 2)

On behalf of the Board:

“Gordon P. Leask” Director “Megan Cameron-Jones” Director

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

Highway 50 Gold Corp.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended

	December 31, 2020	December 31, 2019
EXPENSES		
Accounting and audit (Note 6)	\$ 55,875	\$ 57,800
Amortization	3,579	4,138
Bank charges and interest	1,596	1,404
Consulting fees (Note 6)	306,440	300,000
Stock-based compensation (Note 5, 6)	525,867	-
Investor relations and shareholder information	440	2,690
Legal	14,813	10,007
Office and administration	27,685	40,076
Rent	17,989	34,939
Transfer agent and listing fees	18,082	17,881
	(972,366)	(468,935)
Settlement of flow-through premium liability (Note 10)	-	352
Write-down of exploration and evaluation assets (Note 4)	-	(18,862)
Gain (loss) on foreign exchange	5,003	(5,324)
Loss and comprehensive loss for the year	\$ (967,363)	\$ (492,769)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding, basic and diluted	36,980,998	35,589,676

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

Highway 50 Gold Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended December 31

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (967,363)	\$ (492,769)
Items not affecting cash:		
Amortization	3,579	4,138
Settlement of flow-through premium liability	-	(352)
Stock-based compensation	525,867	-
Write-down of exploration and evaluation assets	-	18,862
Unrealized foreign exchange	(8,164)	4,303
Change in non-cash working capital items:		
Receivables	(4,340)	19,529
Prepaid expenses	792	(364)
Accounts payable and accrued liabilities	4,225	(1,211)
Due to related parties	315,000	292,000
Net cash used in operating activities	(130,404)	(155,864)
CASH FLOWS FROM INVESTING ACTIVITIES		
Reclamation bonds	-	24,789
Acquisition of equipment	(2,144)	(2,385)
Exploration and evaluation assets	(428,529)	(324,144)
Recovery of exploration and evaluation assets expenditures	31,725	8,397
Net cash used in investing activities	(398,948)	(293,343)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans payable	417,756	-
Repayment of loans payable	(35,158)	-
Proceeds from warrant exercise	113,334	-
Issuance of common shares for cash	-	295,000
Share issue costs	-	(12,805)
Net cash provided by financing activities	495,932	282,195
Change in cash for the year	(33,420)	(167,012)
Cash, beginning of year	159,388	326,400
Cash, end of year	\$ 125,968	\$ 159,388

Supplemental disclosure with respect to cash flows (Note 9)

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

Highway 50 Gold Corp.
Consolidated Statements of Shareholders' Equity
(Expressed in Canadian Dollars)
For the years ended December 31

	Number of Shares	Capital Stock	Share Compensation Reserve	Deficit	Total
Balance, December 31, 2018	34,980,819	\$ 8,093,677	\$ 1,459,516	\$ (6,392,889)	\$ 3,160,304
Private placement	1,966,664	265,500	29,500	-	295,000
Share issue costs	-	(12,805)	-	-	(12,805)
Loss for the year	-	-	-	(492,769)	(492,769)
Balance, December 31, 2019	36,947,483	8,346,372	1,489,016	(6,885,658)	2,949,730
Exercise of warrants	566,665	127,334	(14,000)	-	113,334
Shares for exploration and evaluation assets	200,000	52,000	-	-	52,000
Stock-based compensation	-	-	525,867	-	525,867
Inferred benefit from non-interest bearing loans	-	-	58,235	-	58,235
Loss for the year	-	-	-	(967,363)	(967,363)
Balance, December 31, 2020	37,714,148	\$ 8,525,706	\$ 2,059,118	\$ (7,853,021)	\$ 2,731,803

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Highway 50 Gold Corp. (the “Company”) is a Canadian company incorporated in British Columbia. The Company’s activities have focused on exploration and evaluation assets located in British Columbia and Nevada, USA. The Company’s registered and records office is at Suite 910, 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company’s head office is at Suite 2300, 1177 West Hastings Street, Vancouver, BC, V6E 2K3. The common shares of the Company are listed on the TSX Venture Exchange (the “Exchange”) and trade under the symbol “HWY”.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its exploration and evaluation assets. The ability of the Company to realize the costs it has incurred to date on these exploration and evaluation assets is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the exploration and evaluation assets. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at December 31, 2020, the Company had working capital deficiency of \$56,633 and an accumulated deficit of \$7,853,021. These items may cast a significant doubt on the Company’s ability to continue as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

During the year ended December 31, 2020, there was a global outbreak of a novel coronavirus identified as “COVID-19”. On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

Given the uncertainty, management exercised significant judgment in determining the impact of COVID-19 on the Company’s consolidated financial statements, including with respect to financial risks, including liquidity, and the assessment of going concern and the carrying values of the Company’s properties, equipment assets and exploration and evaluation assets. The Company has assessed whether there are any impairment indicators for the Company’s equipment assets and exploration and evaluation assets and did not note any indicators as of December 31, 2020. Based on management’s judgment, as at the date of these consolidated financial statements, there has been no impact from COVID-19 on the Company’s estimates and assumptions that has resulted in the need to recognize impairment. The Company will continue to assess the impact of COVID-19 on commodity, credit, and equity markets, which may impact management’s judgements in the future.

These consolidated financial statements were authorized by the board of directors of the Company on April 23, 2021.

2. BASIS OF PREPARATION

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The significant accounting policies applied in these consolidated financial statements are based on the IFRS issued and outstanding as of December 31, 2020.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

2. BASIS OF PREPARATION (cont'd...)

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred income tax provisions or recoveries could be affected.

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 6). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for the entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the entities' functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the entity that are denominated in foreign currencies are translated at the rate of exchange at the consolidated statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Classification

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

The classification of the Company's financial instruments under IFRS 9 is as follows:

Asset or Liability	IFRS 9
Cash	FVTPL
Receivables	Amortized cost
Accounts payables and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loans payable	Amortized cost

Measurement

Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Impairment of financial instruments

At each reporting date, the Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default, occurring on the asset at the reporting date, with the risk of default as at the date of initial recognition. The Company also considers other information including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

Exploration and evaluation assets

Costs related to pre-exploration are expensed as incurred while costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Each of the Company's exploration and evaluation assets is considered to be a cash generating unit. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

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

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the year.

The Company does not have a reclamation obligation for the years presented.

Equipment

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

The major categories of equipment are amortized as follows:

Vehicles - 30% declining balance basis
Office furnishings - 20% declining balance basis

The Company allocates the amount initially recognized in respect of an item of equipment to its significant parts and amortizes separately each such part. Residual values, method of amortization and useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in profit or loss.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is antidilutive.

Stock-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the stock-based compensation. Otherwise, stock-based compensation are measured at the fair value of goods or services received.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities which affect neither accounting nor taxable loss as well as differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-Through Shares

On issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon qualifying expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

4. EXPLORATION AND EVALUATION ASSETS

		Johnson Canyon, Nevada, USA	Gold Knob, Nevada, USA	Golden Brew, Nevada, USA	Monroe, BC, Canada	Total
ACQUISITION						
Balance, December 31, 2019	\$	111,944	\$ 81,067	\$ 329,871	\$ 4,427	\$ 527,309
Property payments		24,641	369,007	23,689	-	417,337
Shares issued for property		-	52,000	-	-	52,000
Balance, December 31, 2020	\$	136,585	\$ 502,074	\$ 353,560	\$ 4,427	\$ 996,646
EXPLORATION						
Balance, December 31, 2019	\$	27,264	\$ 11,250	\$ 725,173	\$ 2,135,330	\$ 2,899,017
Assays		-	-	-	1,510	1,510
Administrative		159	159	159	-	477
Consulting		498	498	498	-	1,494
Drilling		-	-	-	(31,725)	(31,725)
Field operations		-	-	4,767	-	4,767
Balance, December 31, 2020	\$	27,921	\$ 11,907	\$ 730,597	\$ 2,105,115	\$ 2,875,540
CARRYING VALUE						
December 31, 2019	\$	139,208	\$ 92,317	\$ 1,055,044	\$ 2,139,757	\$ 3,426,326
December 31, 2020	\$	164,506	\$ 513,981	\$ 1,084,157	\$ 2,109,542	\$ 3,872,186

Highway 50 Gold Corp.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the years ended December 31, 2020 and 2019

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)

		Johnson Canyon, Nevada, USA		Gold Knob, Nevada, USA		Golden Brew, Nevada, USA		Monroe, BC, Canada		Total
ACQUISITION										
Balance, December 31, 2018	\$	103,919	\$	61,965	\$	321,980	\$	4,427	\$	492,291
Property payments		24,766		19,102		7,891		-		51,759
Write-down of property		(16,741)		-		-		-		(16,741)
Balance, December 31, 2019	\$	111,944	\$	81,067	\$	329,871	\$	4,427	\$	527,309
EXPLORATION										
Balance, December 31, 2018	\$	27,264	\$	11,250	\$	720,746	\$	1,895,848	\$	2,655,108
Assays		-		-		-		527		527
Drilling		-		-		-		219,727		219,727
Geology		1,585		-		-		11,250		12,835
Field operations		536		-		4,427		16,375		21,338
Write-down of property		(2,121)		-		-		-		(2,121)
Mining tax credits and cost recoveries		-		-		-		(8,397)		(8,397)
Balance, December 31, 2019	\$	27,264	\$	11,250	\$	725,173	\$	2,135,330	\$	2,899,017
CARRYING VALUE										
December 31, 2018	\$	131,183	\$	73,215	\$	1,042,726	\$	1,900,275	\$	3,147,399
December 31, 2019	\$	139,208	\$	92,317	\$	1,055,044	\$	2,139,757	\$	3,426,326

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties is in good standing. The exploration and evaluation assets in which the Company has committed to earn an interest are located in the United States and Canada.

The Company is required to post bonds with the Bureau of Land Management ("BLM") as security towards future site restoration work and will be released to the Company upon satisfactory completion of that work. The bonds posted relate to the Golden Brew, Porter Canyon, and other Nevada properties.

Johnson Canyon Property, Lander County, Nevada

The Johnson Canyon project is located in Lander County, Nevada. The northern portion of the Company's former Porter Canyon project has been merged with the Johnson Canyon claims and will be referred to as the Johnson Canyon project going forward.

During the year ended December 31, 2011, the Company acquired the Porter Canyon claims by staking. During the year ended December 31, 2018, there was sufficient evidence of impairment of the Porter Canyon Property, and the value was written down to \$Nil as at December 31, 2018.

Gold Knob Property, Pershing County, Nevada

During the year ended December 31, 2020, the Company entered into an agreement to purchase a 100% interest in the Gold Knob property located in Pershing county, Nevada. Consideration is US\$100,000 (paid) and 200,000 common shares (issued with a fair value of \$52,000). The vendors will retain a 3% net smelter return ("NSR") royalty, of which the Company may repurchase up to 2% for US\$1-million for each 1% of the NSR.

4. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Golden Brew Property, Battle Mountain Mining District, Nevada

The Company holds a 100% interest in the Golden Brew claims subject to a royalty payable on production equal to a 0.5% NSR on certain claims payable to Genesis Gold Corporation.

During the year ended December 31, 2019, the Company terminated its lease agreement with Genesis Gold Corporation ("Genesis"). Genesis relinquished to the Company the sole and exclusive right to retain the area of interest ("AOI Claims") for the sum of US\$6,000 (paid), and upon Highway 50, its successors and/or affiliates, commencing production of valuable minerals from the AOI Claims, the Company shall pay Genesis a royalty on production equal to 0.5% of net smelter returns.

Monroe Property, Fort Steele Mining Division, British Columbia

During the year ended December 31, 2016, the Company executed an option agreement to earn an undivided 50% interest in the Monroe property located in the Fort Steele Mining Division, southeast British Columbia. In order to exercise the option (the "Option"), the Company has made a firm commitment to spend an initial \$100,000 in exploration expenditures on the Monroe property in the first year (commitment met as at December 31, 2016), followed by additional annual optional exploration expenditures totalling \$2.9 million by May 2021.

On April 9, 2021, the option was amended to a cumulative total of explorations expenditures of no less than \$3 million on or before May 2, 2022.

The Company will be the operator on the Monroe property during the course of the Option. The owners of the Monroe property are an officer and directors of the Company.

5. CAPITAL STOCK AND SHARE COMPENSATION RESERVE

Authorized

Unlimited number of common shares without par value. All issued shares are fully paid.

During the year ended December 31, 2020, the Company:

- a) Issued 566,665 shares in relation to the exercise of warrants at exercise price of \$0.20 per share for gross proceeds of \$113,334. The Company reallocated \$14,000 previously recorded as the residual value of these warrants from reserves to share capital.
- b) Issued 200,000 common shares in relation to the Gold Knob mineral property acquisition (Note 4).

During the year ended December 31, 2019, the Company:

- a) Closed a non-brokered private placement of 1,599,998 units at a price of \$0.15 per unit for gross proceeds of \$240,000. Each unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of \$0.20 per share until September 9, 2021. The premium received on the flow-through shares issued was determined to be \$Nil. The residual value of warrants from this private placement was determined to be \$24,000.
- b) Closed a non-brokered private placement of 366,666 units at a price of \$0.15 per unit for gross proceeds of \$55,000. Each unit consists of one non-flow-through common share and one non-flow-through common share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one non-flow-through common share at a purchase price of \$0.20 per share until September 9, 2021. The residual value of warrants from this private placement was determined to be \$5,500.
- c) Incurred share issuance costs of \$12,805 in relation to the private placements.

Stock options

Under the Company's rolling stock option plan dated December 6, 2019, the Company may grant options, with a maximum term of ten years, for up to 10% of the Company's issued and outstanding common shares, to directors, employees and consultants at exercise prices to be determined by the market value on the date of grant. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted with the exception of options granted in relation to investor relations. Options granted to consultants engaged in investor relations activities must vest no earlier than as to one-quarter upon the grant date and as to a further one-quarter after each of the following three four-month periods.

Highway 50 Gold Corp.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the years ended December 31, 2020 and 2019

5. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd...)

Stock options (cont'd...)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2018	3,200,000	\$ 0.34
Expired	(575,000)	0.43
Balance, December 31, 2019	2,625,000	0.32
Granted	1,725,000	0.37
Expired	(1,175,000)	0.40
Balance, December 31, 2020	3,175,000	\$ 0.32

At December 31, 2020, the following incentive stock options were outstanding to directors, officers and employees:

Number of Options Outstanding	Exercise Price (\$)	Expiry Date	Number of Options Exercisable
350,000	0.25	May 6, 2021	350,000 ⁽¹⁾
1,100,000	0.25	May 17, 2023	1,100,000 ⁽²⁾
1,725,000	0.37	November 17, 2025	1,725,000
3,175,000			3,175,000

⁽¹⁾200,000 exercised subsequent to December 31, 2020

⁽²⁾400,000 exercised subsequent to December 31, 2020

Subsequent to the year ended December 31, 2020, the Company granted options to purchase 200,000 common shares at a price of \$0.38 per share for a period of up to five years to a new director.

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value-based method of accounting. During the year ended December 31, 2020, the Company recognized \$525,867 (2019 - \$Nil) in stock-based compensation expense with respect to options vested during the year. The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the years ended December 31, 2020 and 2019:

	2020	2019
Expected forfeiture rate	0%	-
Risk-free interest rate	0.43%	-
Expected life of options	5 Years	-
Annualized volatility	120%	-
Dividend	0%	-
Weighted average fair value per option	\$0.30	-

Highway 50 Gold Corp.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the years ended December 31, 2020 and 2019

5. CAPITAL STOCK AND SHARE COMPENSATION RESERVE (cont'd...)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2018	4,532,455	\$ 0.37
Warrants granted	1,166,663	0.20
Balance, December 31, 2019	5,699,118	0.34
Warrants exercised	(566,665)	0.20
Warrants expired	(3,350,000)	0.36
Balance, December 31, 2020	1,782,453	\$ 0.47

At December 31, 2020, the following share purchase warrants were issued and outstanding:

Number of Warrants Outstanding	Exercise Price	Expiry Date
599,998	\$ 0.20	September 9, 2021 ⁽¹⁾
1,182,455	\$ 0.60	September 21, 2021 ⁽²⁾
1,782,453		

⁽¹⁾ 499,998 exercised subsequent to December 31, 2020

⁽²⁾ During the year ended December 31, 2020, the Company extended the term of these warrants for one year from September 21, 2020 to September 21, 2021 and repriced the warrants from \$0.40 to \$0.60.

6. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its subsidiary listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Highway 50 Gold (US) Inc.	Nevada, USA	100%	Mineral exploration

All transactions with related parties are in the normal course of operations and are measured at their fair value as determined by management.

During the year ended December 31, 2020, the Company entered into the following transactions with related parties:

- a) Eagle Putt Ventures Inc. ("Eagle Putt") is a private company controlled by Mr. Gordon P. Leask, a director and officer of the Company. For the year ended December 31, 2020, Eagle Putt charged \$120,000 (2019 - \$120,000) which are classified as consulting fees in the consolidated statements of profit or loss. At December 31, 2020, the Company owed \$436,000 (December 31, 2019 - \$310,000) to Eagle Putt. On December 31, 2020, Eagle Putt has agreed to postpone payment of this balance until June 30, 2022.

During the year ended December 31, 2020, the Company received loans of \$228,436 (\$75,000 and US\$116,753) from Eagle Putt. On December 31, 2020, the loans were transferred to a term loan maturing on June 30, 2022, and since it is below the Company's estimated market borrowing rate of 12%, a contribution benefit of \$34,980 was recorded in reserves.

Highway 50 Gold Corp.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the years ended December 31, 2020 and 2019

6. RELATED PARTY TRANSACTIONS (cont'd...)

- b) Rangefront Exploration Corp. ("Rangefront") is a private company controlled by Mr. John M. Leask, a director to the Company. For the year ended December 31, 2020, Rangefront charged \$120,000 (2019 - \$120,000) which are classified as consulting fees in the consolidated statements of profit or loss. At December 31, 2020, the Company owed \$436,000 (December 31, 2019 - \$310,000) to Rangefront. On December 31, 2020, Rangefront has agreed to postpone payment of this balance until June 30, 2022.

During the year ended December 31, 2020, the Company received loans of \$189,320 (US\$143,505) from Rangefront out of which \$35,158 (US\$26,753) had been repaid. On December 31, 2020, the loans were transferred to a term loan maturing on June 30, 2022, and since it is below the Company's estimated market borrowing rate of 12%, a contribution benefit of \$23,255 was recorded in reserves.

- c) Megan Cameron-Jones is a director and officer of the Company. For the year ended December 31, 2020, Megan Cameron-Jones charged \$60,000 (2019 - \$60,000) for management services which are classified as consulting fees in the consolidated statements of profit or loss. At December 31, 2020, the Company owed \$183,000 (December 31, 2019 - \$120,000) to Megan Cameron-Jones. Subsequent to the year ended December 31, 2020, Megan Cameron-Jones has agreed to postpone payment of this balance until June 30, 2022.
- d) Cross Davis & Co. LLP ("Cross Davis") is an accounting firm of which Scott Davis, an officer of the Company, is a partner. For the year ended December 31, 2020, Cross Davis charged \$36,000 (2019 - \$36,000) which are classified as accounting fees in the consolidated statements of profit or loss. At December 31, 2020, the Company owed \$Nil (December 31, 2019 - \$Nil) to Cross Davis.

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors. The remuneration of officers and members of key management personnel during the year ended December 31, 2020 and 2019 are as follows:

	Other Payments	Share-based Benefits	Total
December 31, 2020			
Chief Executive Officer	\$ 120,000	\$ 137,183	\$ 257,183
Chief Financial Officer	36,000	15,241	51,241
Executive directors	180,000	335,336	515,336
	<u>\$ 336,000</u>	<u>\$ 487,760</u>	<u>\$ 823,760</u>
December 31, 2019			
Chief Executive Officer	\$ 120,000	\$ -	\$ 120,000
Chief Financial Officer	36,000	-	36,000
Executive directors	180,000	-	180,000
	<u>\$ 336,000</u>	<u>\$ -</u>	<u>\$ 336,000</u>

7. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of exploration and evaluation assets in North America. Geographical information is as follows:

	Total Assets	Equipment	Exploration and Evaluation Assets	Reclamation Bonds	Other Assets
December 31, 2020					
Canada	\$ 2,263,052	\$ 10,234	\$ 2,109,542	\$ -	\$ 143,276
United States	1,854,934	3,006	1,762,644	89,284	-
	<u>\$ 4,117,986</u>	<u>\$ 13,240</u>	<u>\$ 3,872,186</u>	<u>\$ 89,284</u>	<u>\$ 143,276</u>
December 31, 2019					
Canada	\$ 2,323,284	\$ 10,379	\$ 2,139,757	\$ -	\$ 173,148
United States	1,382,074	4,296	1,286,569	91,209	-
	<u>\$ 3,705,358</u>	<u>\$ 14,675</u>	<u>\$ 3,426,326</u>	<u>\$ 91,209</u>	<u>\$ 173,148</u>

8. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- 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.

The fair value of the Company's receivables, accounts payable and accrued liabilities, due to related parties, and loans payable approximate carrying value, which are the amounts on the consolidated statements of financial position. The Company's other financial instrument, cash, under the fair value hierarchy, is based on level one quoted prices in active markets for identical assets or liabilities.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institutions in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist of tax credits due from the government of Canada. As such, the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company is considered to be in the exploration and evaluation stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper. As at December 31, 2020, the Company had a cash balance of \$125,968 to settle current liabilities of \$199,909. As COVID-19 has continued to spread, it has adversely affected workforces, economies, as well as financial markets globally, potentially leading to an economic downturn. This has impacted the Company's ability to raise necessary funds. It is not possible for the Company at this time to predict the duration or magnitude of the impact towards the Company's business or results from its operations.

Market risk

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

a) Interest rate risk

The Company has cash balances. The interest earned on the cash balances approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, reclamation bond, and accounts payable that are denominated in United States dollars ("US\$"). A 10% fluctuation in the US\$ against the Canadian dollar would affect net comprehensive loss for the year by approximately \$20,000.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' 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, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2020:

- There was \$327 included in exploration and evaluation assets which relates to accounts payable and accrued liabilities.
- The Company issued 200,000 common shares valued at \$52,000 for the acquisition of exploration and evaluations assets.
- The Company recorded \$58,325 inferred benefit from non-interest bearing loans that was included in share compensation reserve.

During the year ended December 31, 2019:

- There was \$3,271 included in exploration and evaluation assets which relates to accounts payable and accrued liabilities.

For the period ended December 31	2020	2019
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ -

10. FLOW-THROUGH SHARE PREMIUM LIABILITY

	Issued in May 2017	Issued in May 2018	Issued in September 2018	Total
Balance at December 31, 2017	\$ 7,409	\$ -	\$ -	\$ 7,409
Liability incurred on flow-through shares issued	-	60,000	22,632	82,632
Settlement of flow-through share premium liability on expenditures incurred	(7,409)	(60,000)	(22,280)	(89,689)
Balance at December 31, 2018	-	-	352	352
Settlement of flow-through share premium liability on expenditures incurred	-	-	(352)	(352)
Balance at December 31, 2019	\$ -	\$ -	\$ -	\$ -

During the year ended December 31, 2018, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be \$60,000. As at December 31, 2018, the Company has satisfied its flow-through obligations.

During the year ended December 31, 2018, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be \$22,632. As at December 31, 2018, the Company must spend another \$6,697 within one year to satisfy its remaining flow-through obligations. As at December 31, 2019, the Company has satisfied its flow-through obligation.

Highway 50 Gold Corp.
Notes to the Consolidated Financial Statements
(Expressed in Canadian Dollars)
For the years ended December 31, 2020 and 2019

10. FLOW-THROUGH SHARE PREMIUM LIABILITY (cont'd...)

During the year ended December 31, 2019, the Company issued flow-through shares and recognized \$Nil flow-through premium. As at December 31, 2019, the Company has spent all \$240,000 of its flow-through commitment (Note 5).

11. INCOME TAXES

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

	2020	2019
Loss for the year	\$ (967,363)	\$ (492,769)
Expected income recovery	\$ (261,000)	\$ (133,000)
Change in statutory, foreign tax, foreign exchange rates and other	(3,000)	2,000
Permanent difference	142,000	-
Impact of flow-through shares	-	65,000
Share issuance cost	-	(3,000)
Change in unrecognized deductible temporary differences	122,000	69,000
Income tax recovery	\$ -	\$ -

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

	2020	Expiry Date Range	2019	Expiry Date Range
Temporary differences				
Property and equipment	\$ 35,000	No expiry date	\$ 32,000	No expiry date
Share issue costs	27,000	2041 to 2043	43,000	2040 to 2043
Non-capital losses available for future periods	5,071,000	2026 to 2040	4,229,000	2026 to 2039
Canada	\$ 5,071,000	2026 to 2040	\$ 4,229,000	2026 to 2039
USA	-		-	

Tax attributes are subject to review, and potential adjustment, by tax authorities.