ADYTON RESOURCES CORPORATION (formerly XIB I CAPITAL CORP.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Dated: April 30, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Adyton Resources Corporation (formerly XIB I Capital Corp.). for the year ended December 31, 2020 and is prepared as at April 30, 2021. Throughout this MD&A, unless otherwise specified, "ADY", "Company", "we", "us" and "our" refer to Adyton Resources Corporation. This MD&A should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements. All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The Company's success at completing future financings
- The Company's strategies and objectives
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The positive cash flows and financial viability of new business opportunities
- The Company's ability to manage growth with respect to a new business opportunity
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

CORPORATE OVERVIEW AND OUTLOOK

The Company was incorporated on March 8, 2018 under the laws of British Columbia. The Company completed its Initial Public Offering ("IPO") on December 12, 2018 and is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business (Qualifying Transaction) and, once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities. The Company's head office and the records and registered office is located at 2800 Park Place, 666 Burrard Street, Vancouver BC V6C 2Z7.

As a CPC, the Company's business objective is to identify and evaluate assets or businesses with a view to potential acquisition or participation by completing a Qualifying Transaction ("QT"), as defined in Exchange Policy 2.4 subject, in certain cases, subject to shareholder approval and acceptance by the TSX-V. The Company has an accumulated deficit of $355,608 as at December 31, 2020.

On February 18, 2021 the Company completed its QT as described under the heading "Qualifying Transaction" in this Management Discussion and Analysis. In completing the QT, the Company raised approximately $10.75 million through various financings that were undertaken. Taking into consideration the completion of the QT, and the associated financings, the Company's Directors consider that the application of the going concern basis in the preparation of these financial statements is appropriate.

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, has 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.

SELECTED ANNUAL INFORMATION[1]

	For the year ended December 31, 2020	For the year ended December 31, 2019	For the period from incorporation on March 8, 2018 to December 31, 2018
(a) Revenue	$-	$-	$-
(b) Loss for the period	$(249,896)	$ (43,250)	$ (62,462)
(c) Loss per share[2]	$(0.08)	$ (0.01)	$ (0.33)
(d) Total assets	$539,849	$644,186	$696,021
(e) Total non-current liabilities	$-	$-	$-
(f) Total liabilities	$263,712	$85,893	$94,478

[1] *Financial information prepared in accordance with International Financial Reporting Standards ("IFRS")*

[2] *The weighted average number of common shares outstanding used for the calculation of loss per share, excludes the 10,100,000 common shares held in escrow (see Share Capital section for further details of the escrow terms).*

SUMMARY OF QUARTERLY RESULTS[3]

	4th Quarter Ended December 31, 2020	3rd Quarter Ended September 30, 2020	2nd Quarter Ended June 30, 2020	1st Quarter Ended March 31, 2020
(a) Revenue	$-	$-	$-	$-
(b) Income (loss) for the period	$(202,292)	$(11,415)	$(24,252)	$(11,937)
(c) Basic/diluted income (loss) per share[2]	$(0.07)	$(0.00)	$(0.00)	$(0.00)
	4th Quarter Ended December 31, 2019	**3rd Quarter Ended September 30, 2019**	**2nd Quarter Ended June 30, 2019**	**1st Quarter Ended March 31, 2019**
(a) Revenue	$-	$-	$-	$-
(b) Income (loss) for the period	$(6,104)	$11,063	$(33,289)	$(14,920)
(c) Basic/diluted income (loss) per share[4]	$0.00	$0.00	$(0.01)	$(0.00)

[3] *Financial information prepared in accordance with IFRS*

[4] *The weighted average number of common shares outstanding used for the calculation of loss per share, excludes the 10,100,000 common shares held in escrow (see Share Capital section for further details of the escrow terms).*

RESULTS OF OPERATIONS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2020

The Company currently has no sources of revenue.

Office and administrative expenses for the three months and year ended December 31, 2020 were $18 and $975 respectively (2019 - $123 and $733, respectively). These expenditures were for general administrative expenses related to the operation of the Company.

Legal fees for the three months and year ended December 31, 2020 were $140,496 and $144,412 respectively (2019 - $1,971 and $29,649 respectively). For the current period, these expenses relate primarily to legal services rendered in relation to the Qualifying Transaction.

Professional fees for the three months and year ended December 31, 2020 were $28,132 and $62,153 respectively, (2019 - $3,000 and $17,061, respectively). For the current period, these expenditures included accounting and audit fees.

Transfer agent and filing fees for the three months and year ended December 31, 2020 were $29,730, and $42,356 respectively (2019 - $1,009 and $(4,194), respectively). These fees include transfer agent fees, filing fees paid in relation to the Qualifying Transaction and expenses associated with the Company's as well as the TSX-V sustaining fee. There was an expense recovery in 2019 due to an over-accrual of TSX-V fees in December 2018.

Loss and comprehensive loss for the period
As a result of the activities discussed above, the Company generated loss and comprehensive loss of ($202,292) for the three months ended December 31, 2020 and a loss and comprehensive loss of ($249,896) for the year ended December 31, 2020 (2019 – ($6,104) and ($43,250), respectively).

SHARE CAPITAL

Authorized

Unlimited number of common shares without par value.

Issued and outstanding

As at December 31, 2020 the Company had 13,100,000 common shares issued and outstanding.

On October 17, 2018, the Company entered into an escrow agreement with certain of its shareholders whereby 10,100,000 issued shares are subject to escrow restrictions and will be released from escrow in tranches over 36 months upon completion of the Qualifying Transaction. These shares are considered contingently returnable and are excluded from the weighted average number of shares outstanding.

	Number of Shares	Amount
		$
Balance, December 31, 2019 and December 31, 2020	**13,100,000**	**805,000**

Agent's Options

In connection with the IPO, PI Financial Corp. (the "Agent") received a cash commission of $30,000 which is 10% of the aggregate gross proceeds of the offering and 300,000 common share purchase options at $0.10 per share exercisable at any time until December 12, 2020. The Agent also received a corporate finance fee of $7,500. The Agent's share purchase options expired on December 12, 2020 without being exercised.

Agent's share purchase option transactions are summarized as follows:

	Number	Options Weighted Average Exercise Price
Outstanding and exercisable, December 31, 2018 and 2019	300,000	0.10
Expired	(300,000)	0.10
Outstanding and exercisable, December 31, 2020	-	-

QUALIFYING TRANSACTION

On September 4, 2020, the Company entered into an arm's-length binding letter of intent with Mayur Resources Ltd. ("**Mayur**"), and on November 12, 2020 entered into a definitive share purchase agreement (the "**Definitive Agreement**") with Mayur and Mayur's wholly-owned subsidiaries, MR Exploration PNG Pte Ltd. ("**MRE**") and Adyton Resources Finance Company Ltd. ("**Adyton Financeco**"), in respect of which ADY will acquire all of the issued and outstanding shares of MRE in consideration for the issuance of an aggregate of 71,666,666 common shares of ADY ("**ADY Shares**") to the shareholders of MRE (the "**Transaction**"). MRE is a company existing under the laws of Singapore.

MRE holds certain exploration properties in PapuaNew Guinea.

The Transaction will serve as the Company's QT.

The Transaction completed on February 18, 2021 and as such the effects of the Transaction as described below represent subsequent events that are not reflected in ADY's financial statements for the year ended December 31, 2020.

- ADY consolidated its 13,100,000 pre-Transaction ADY Shares on a 2.62 for 1 basis (the "**Consolidation**") prior to, and as a condition to the completion of, the closing of the Transaction, so that it had 5,000,000 ADY Shares issued and outstanding on a post-Consolidation basis before issuing the ADY Shares for the Transaction.

- Prior to, and as a condition to the completion of, the closing of the Transaction, MRE acquired allof the issued and outstanding shares of Ballygowan Limited ("**Ballygowan**") and Pacific Arc Aurum (Niugini) Limited ("**Pacific Arc**") from their shareholders in return for shares of MRE (the "**Acquisitions**"). MRE entered into a definitive share sale agreement dated October 1, 2020 with Ballygowan and Pacific Arc and their respective shareholders in respect of the Acquisitions. Accordingly, upon completion of the Transaction, MRE became a wholly-owned subsidiary of ADY and Ballygowan and Pacific Arc became wholly-owned subsidiaries of MRE, together with its existing wholly-owned subsidiary, Mayur Exploration PNG Ltd. Ballygowan holds certain exploration properties in Papua New Guinea. Pacific Arc holds an exploration property in Papua New Guinea.

- ADY changed its name from XIB I Capital Corp. to Adyton Resources Corporation and the Board of Directors (the "**Resulting Issuer Board**") and management of XIB was reconstituted to include: (i) Frank Terranova - Chairman, President and Chief Executive Officer; (ii) Stephen Kelly - Chief Financial Officer and Corporate Secretary; (iii) Rod Watt - Executive Director and Chief Geologist; (iv) Tim Crossley - Director; (v) Sinton Spence - Director; and (vi) Frederic Leigh Jr. - Director.

- On February 18, 2021 ADY issued 71,666,666 common shares of ADY to the shareholders of MRE as consideration for ADY acquiring all the outstanding and issued shares of MRE.

- As part of, and as a condition to the completion of, the Transaction, raised $10.75 million (less agents' fees and expenses) through the issue of 48,092,220 ADY common shares pursuant to the following financings "**Financings**"):

  The Concurrent Financing

  On December 23, 2020, Adyton Financeco completed the Concurrent Financing through the issuance of 28,758,886 Concurrent Financing Subscription Receipts at an issue price of $0.30 each for gross proceeds of $8,627,665.80.

  Adyton Financeco is a special purpose entity established by Mayur for purposes of conducting the Seed Financing and the Concurrent Financing as components of the Transaction. It was incorporated by Mayur under the laws of British Columbia on October 14, 2020 and has one issued and outstanding Adyton Financeco Share which is owned by Mayur. The sole activity of Adyton Financeco has been to conduct the Seed Financing and the Concurrent Financing as components of the Transaction, and it does not carry on any business.

  In connection with the Concurrent Financing, Adyton Financeco, Mayur and ADY entered into the Agency Agreement on December 23, 2020 with a syndicate of agents led by Eight Capital and including Cormark Securities Inc., PI Financial Corp. and Jett Capital Advisors, LLC (collectively, the "**Agents**").

The gross proceeds from the Concurrent Financing (less 50% of the commission payable to the Agents and the Agents expenses) were deposited in escrow with the Escrow Agent. Each Concurrent Financing Subscription Receipt will be automatically exchanged, without payment of any additional consideration, for one Adyton Financeco Share and the escrowed proceeds were released on February 18, 2021 on satisfaction of the escrow release conditions.

In accordance with the Agency Agreement, on closing of the Concurrent Financing, the Agents received from Adyton Financeco out of the gross proceeds for the Concurrent Financing the amount of $167,951.11, being 50% of the cash fee payable to the Agents in respect of the Concurrent Financing in the amount of 6% of the gross proceeds from the Concurrent Financing. Upon conversion of the Subscription Receipts and the release of the escrowed proceeds, the Agents will receive the balance of this cash fee in the amount of $167,951.10, and Eight Capital will also receive a corporate finance fee in the amount of $250,000.00.

The Agents have also received 1,119,675 non-transferable Adyton Financeco Compensation Options, each of which is exercisable to purchase one Adyton Financeco Share at an exercise price of $0.30 each for a period of 24 months following issuance (which warrants will become exercisable for ADY common shares on the same basis and terms pursuant to the Transaction). The payment of the 50% balance of the Agents' fee and the issuance of the Adyton Financeco Compensation Options occurred on February 18,2021 on satisfaction of the escrow release conditions.

The Seed Financing

On November 6, 2020, Adyton Financeco completed the Seed Financing through the issuance of 13,333,334 Seed Financing Subscription Receipts at an issue price of $0.15 each for gross proceeds of $2,000,000.

The Seed Financing was completed on a non-brokered basis. The Seed Financing was effected under exemptions from the prospectus and registration requirements of applicable securities laws pursuant to subscription agreements between each subscriber under the Seed Financing and Adyton Financeco.

The gross proceeds from the Seed Financing were deposited in escrow with the Escrow Agent. Each Concurrent Financing Subscription Receipt was exchanged, without payment of any additional consideration, for one Adyton Financeco Share and the escrowed proceeds were released to Adyton Financeco on February 18, 2021 upon the satisfaction of the escrow release conditions.

The Pre-Seed Financing

On November 6, 2020, Pre-Seed Financeco completed the Pre-Seed Financing through the issuance of 6,000,000 Pre-Seed Financing Subscription Receipts at an issue price of $0.02 each for gross proceeds of $120,000.

Pre-Seed Financeco is a special purpose entity established by an investor under the Pre-Seed Financing for purposes of conducting the Pre-Seed Financing as a component of the Transaction. It was incorporated by the investor under the laws of British Columbia on October 13, 2020 and has one issued and outstanding Pre-Seed Financeco Share which is owned by the investor. The sole activity of Pre-Seed Financeco has been to conduct the Pre-Seed Financing as a component of the Transaction, and it does not carry on any business.

The Pre-Seed Financing was completed on a non-brokered basis.

The gross proceeds from the Pre-Seed Financing were deposited in escrow with tan escrow agent. Each Pre-Seed Financing Subscription Receipt was automatically exchanged, without payment of any additional consideration, for one Pre-Seed Financeco Share and the escrowed proceeds were released to Pre-Seed Financeco on February 18, 2021 following the satisfaction of the escrow release conditions.

In addition to ADY acquiring MRE under the Acquisition, as part of the QT ADY also acquired all of the issued and outstanding shares of Adyton Financeco and Pre-Seed Financeco, by which each of the investors in the Financings will become shareholders of ADY and the net proceeds from the Financings became funds available to the ADY. This was effected by way of an Amalgamation, under which Adyton Financeco and Pre-Seed Financeco were amalgamated with ADY Subco. ADY Subco is a wholly-owned subsidiary of ADY and was incorporated by ADY under the laws of British Columbia on February 9, 2021 for the sole purpose of effecting the Amalgamation.

Under the Amalgamation, the Adyton Financeco Shares and the Pre-Seed Financeco Shares issued upon exercise of the Concurrent Financing Subscription Receipts, Seed Financing Receipts and the Pre-Seed Financing Subscription Receipts, as applicable, were exchanged for ADY common shares on the basis of one ADY common share for each Adyton Financeco Share and each Pre-Seed Financeco Share. In addition, each Adyton Financeco Compensation Option was replaced by one ADY Replacement Compensation Option which will entitle the holders of such compensation options to purchase the same number of ADY Shares equal to the number of Adyton Financeco Shares that would otherwise have been issuable on exercise of such compensation options immediately prior to closing of the Transaction and at the same price. In connection with the Amalgamation, the one issued and outstanding Adyton Financeco Share owned by Mayur and the one issued and outstanding Pre-Seed Financeco Share owned by the investor under the Pre-Seed Financing who established Pre-Seed Financeco will both be cancelled.

It is expected that Amalco, the amalgamated company resulting from the Amalgamation, will continue with the name "Adyton Resources Finance Company Ltd." Following the completion of the Transaction, it is expected that ADY will complete a vertical short form amalgamation to amalgamate itself with Amalco, then its wholly-owned subsidiary, in order to simplify ADY's corporate structure.

LIQUIDITY AND CAPITAL RESOURCES

Capital is comprised of the Company's shareholders' equity and any debt that it may issue. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

The Company is a CPC and until such time as the Company has completed a QT as defined under the Exchange Policy 2.4, proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of common shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. The Company completed its QT on February 18, 2021.

A summary of the Company's cash flows during the periods ended December 31, 2020 and December 31, 2019 is as follows:

		2020		2019
Cash flows used in operating activities	**$**	**(107,714)**	$	(56,627)
Cash flows used by investing activities		**-**		-
Cash flows provided by financing activity		**-**		-
Change in cash for the year		**(107,714)**		(56,627)
Cash, beginning of the year		**636,380**		693,007
Cash, end of the year	**$**	**528,666**	$	636,380

Cash flows used in operating activities were $107,714 during the year ended December 31, 2020 as compared to $56,627 for the year ended December 31, 2019. The cash was used to maintain the administrative and reporting needs of the Company and to meet costs, including legal fees, transfer agent fees ad TSX filing fees associated with the QT.

As a result of the above activities, at December 31, 2020 the Company has $528,666 of cash to settle current liabilities of $263,712 as compared to December 31, 2019, when the Company had $636,380 of cash to settle current liabilities of $85,893. Taking into consideration the $10.75 million in Financing proceeds received by the Company on February 18, 2021 on completion of the QT, Management believes the Company has sufficient cash reserves to enable the Company to settle its obligations as they fall due for the next year. The Company's exposure to liquidity risk is currently negligible.

Until the Company has either acquired or developed a business that generates revenues, the Company will remain dependent upon the financial support of its shareholders and debt holders. Therefore, in order to fund future operating costs and/or settle its obligations with debt holders, the Company may seek to raise debt financing, or issue shares of its common stock to settle any debt, or issue shares of its common stock to raise capital. There is no assurance that the Company will be able to issue shares or raise debt financing. Should the Company issue common shares to settle its debt or raise capital it would significantly dilute the existing shareholders. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern.

The financial statements have been prepared in accordance with IFRS applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. The accompanying financial statements do not reflect adjustments that may be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets and/or liabilities and the reported expenses in these financial statements. Such adjustments could be material.

RELATED PARTY TRANSACTIONS

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

The Company has identified its directors and officers as its key management personnel.

As of December 31, 2020, $Nil (December 31, 2019 - $Nil) was due to related parties. During the period ended December 31, 2020 $Nil was recorded as compensation costs for key management personnel and companies related to them (2019 - $Nil).

RISKS AND UNCERTAINTIES

Strategic Risk

As at December 31, 2020 the Company had entered into the QT pursuant to which it will acquire all of the issued and outstanding shares in MRE. MRE and its subsidiary companies own several mineral exploration tenements in Papua New Guinea ("**PNG**"). The acquisition of MRE is highly speculative due to, among other things, the nature of the activities of MRE, the present stage of MRE's development and the exposure to various levels of political, economic and other risks and uncertainties associated with carrying on business in PNG.

Following the completion of the QT, the Company will be engaged in mineral exploration and development activities in PNG. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors beyond its control.

A detailed assessment of the risks to which the Company will be exposed following completion of the QT is presented in the Filing Statement of the Company dated February 12, 2021

Lack of Dividend Policy
The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Possible Dilution to Present and Prospective Shareholders
The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence on Key Personnel
The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Market Risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk and are disclosed as follows:

(i) Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company holds no financial instruments that are denominated in a currency other than Canadian dollars. As at December 31, 2020, the Company is not exposed to currency risk.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates. The Company's sensitivity to interest rates relative to its cash balances is currently immaterial. The Company also has no long-term debt with variable interest rates, so it has no negative exposure to changes in the market interest rate.

(iii) Price rate risk

The Company is exposed to price risk with respect to 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. Management closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Given the Company's limited market exposure at this time it has assessed there to be a low level of price rate risk.

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 credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. Management believes that the credit risk related to its cash is negligible.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. At December 31, 2020, the Company has no sources of revenue but has a cash balance of $528,666 to settle current liabilities of $263,712. Further, on February 18,2021 the Company received gross Financing proceeds of $10.75 million on completion of the QT. As such, management feels the Company has sufficient cash to settle its obligations as they fall due for the next year. The Company's exposure to liquidity risk is currently negligible.

Fair Value Measurements

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 date. The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets.

As at December 31, 2020, the Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Cash and receivables are classified as amortized cost. Accounts payable and accrued liabilities are classified as amortized cost. The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

CAPITAL MANAGEMENT

Capital is comprised of the Company's shareholders' equity. The Company's objectives when managing capital are to maintain financial strength and to protect its ability to meet its ongoing liabilities, to continue as a going concern, to maintain creditworthiness and to maximize returns for shareholders over the long term. Protecting the ability to pay current and future liabilities includes maintaining capital above minimum regulatory levels, current financial strength rating requirements and internally determined capital guidelines and calculated risk management levels.

Until the completion of a QT by the Company as defined under the TSX-V Policy 2.4, the proceeds raised from the issuance of common shares by the Company may only be used to identify and evaluate assets or businesses for future investment, with the exception that no more than the lesser of 30% of the gross proceeds from the issuance of common shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company.

ADOPTION OF NEW ACCOUNTING STANDARDS

The accounting policies applied in the preparation of the financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available at www.sedar.com.