



CANTERRA

MINERALS CORPORATION

TSX-V: CTM

Consolidated Financial Statements

For the Year Ended

December 31, 2020

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Canterra Minerals Corporation

Opinion

We have audited the accompanying consolidated financial statements of Canterra Minerals Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity (deficiency) 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 incurred ongoing losses and has no source of recurring revenue. 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 Peter Maloff.

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 28, 2021

CANTERRA MINERALS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2020 and 2019 (Expressed in Canadian Dollars)

	December 31, 2020	December 31, 2019
ASSETS		
Current		
Cash	\$ 3,853,927	\$ 10,300
Marketable securities (Note 4)	1,035	690
Receivables (Note 5)	12,530	1,553
Prepaid expenses	15,837	12,560
	<u>3,883,329</u>	<u>25,103</u>
Land use deposits (Note 6)	4,000	4,000
Mineral Properties (Note 7)	2,225,503	-
	<u>\$ 6,112,832</u>	<u>\$ 29,103</u>
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 8,9)	\$ 330,483	\$ 164,888
Non-current liabilities		
Due to Rand Explorations Ltd. (Note 9)	-	167,388
	<u>330,483</u>	<u>332,276</u>
Shareholders' equity (deficiency)		
Share capital (Note 10)	111,569,742	106,149,846
Reserves (Note 10)	994,069	47,640
Deficit	(106,781,462)	(106,500,659)
	<u>5,782,349</u>	<u>(303,173)</u>
	<u>\$ 6,112,832</u>	<u>\$ 29,103</u>

Nature and continuance of operations (Note 1)**Subsequent events** (Note 16)

Approved and authorized by the Board on April 28, 2021

"Chris Pennimpe"

Chris Pennimpe, President & CEO

"Randy Turner"

Randy C. Turner, Chairman

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

CANTERRA MINERALS CORPORATION

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

	<u>2020</u>	<u>2019</u>
Expenses		
Business development	\$ 4,026	\$ 1,101
Insurance	13,430	10,138
Interest (Note 9)	8,283	12,388
Legal, audit and accounting	58,328	29,230
Management fees (Note 9)	62,203	44,147
Office and miscellaneous	1,933	2,680
Regulatory and transfer agent fees	35,759	17,254
Rent (Note 9)	9,000	18,000
Wages and benefits	11,537	9,181
Exploration expenditures (Note 7)	19,885	17,107
	<u>(224,384)</u>	<u>(161,226)</u>
Interest income	50	58
Gain on sale of mineral property (Note 7)	-	10,000
Unrealized gain (loss) on marketable securities	345	(1,208)
Loss on debt settlement	(85,245)	-
Write-off of accounts payable (Note 9)	12,750	-
	<u>(72,100)</u>	<u>8,850</u>
Net loss and comprehensive loss for the year	\$ <u>(296,484)</u>	\$ <u>(152,376)</u>
Basic and diluted loss per common share	\$ <u>(0.03)</u>	\$ <u>(0.02)</u>
Weighted average number of common shares outstanding – basic and diluted	10,656,886	8,986,487

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

CANTERRA MINERALS CORPORATION**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Loss for the year	\$ (296,484)	\$ (152,376)
Items not affecting cash:		
Unrealized (gain) loss on marketable securities	(345)	1,208
Accrued interest on related party loan	8,283	12,388
Gain on sale of mineral property	-	(10,000)
Loss on debt settlement	85,245	-
Write-off of accounts payable	(12,750)	-
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(9,950)	6,352
Increase in prepaid expenses	(3,277)	(12,560)
Increase in accounts payable and accrued liabilities	218,856	90,392
Net cash used in operating activities	<u>(10,422)</u>	<u>(64,595)</u>
Cash flows from investing activities		
Proceeds on sale of mineral property	-	10,000
Acquisition of mineral properties	(139,193)	-
Net cash (used) provided by investing activities	<u>(139,193)</u>	<u>10,000</u>
Cash flows from financing activities		
Issuance of common shares (net of share issuance costs)	3,913,242	-
Proceeds received from related party	80,000	55,000
Net cash provided by financing activities	<u>3,993,242</u>	<u>55,000</u>
Change in cash during the year	3,843,627	405
Cash, beginning of the year	10,300	9,895
Cash, end of the year	\$ <u><u>3,853,927</u></u>	\$ <u><u>10,300</u></u>

Supplemental disclosure with respect to cash flows (Note 12)

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

CANTERRA MINERALS CORPORATION**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

	<u>Share Capital</u>				
	<u>Number</u>	<u>Amount</u>	<u>Reserves</u>	<u>Deficit</u>	<u>Total</u>
Balance, December 31, 2018	8,986,492	106,149,846	70,044	(106,370,687)	(150,797)
Reserves transferred on expired options (Note 10c)	-	-	(22,404)	22,404	-
Loss for the year	-	-	-	(152,376)	(152,376)
Balance, December 31, 2019	8,986,492	106,149,846	47,640	(106,500,659)	(303,173)
Issued on private placements (Note 10b)	31,150,000	3,578,336	371,164	-	3,949,500
Issued for debt (Note 10b)	2,841,530	426,230	-	-	426,230
Issued for subsidiary acquisition (Note 10b)	9,677,250	1,451,588	590,946	-	2,042,534
Share Issuance costs (Note 10b)	-	(36,258)	-	-	(36,258)
Reserves transferred on expired options (Note 10c)	-	-	(15,681)	15,681	-
Loss for the year	-	-	-	(296,484)	(296,484)
Balance, December 31, 2020	<u>52,655,272</u>	<u>\$ 111,569,742</u>	<u>\$ 994,069</u>	<u>\$ (106,781,462)</u>	<u>\$ 5,782,349</u>

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

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Canterra Minerals Corporation (the “Company”) is incorporated under the Business Corporations Act, British Columbia and is considered to be in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain ore reserves.

The Company’s head office and principal address is 1020 – 625 Howe Street, Vancouver, British Columbia, Canada, V6C 2T6. The Company’s registered and records office is 2300 – 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5. During the year ended December 31, 2020, the Company consolidated its capital stock on a 10 old for 1 new basis. All share and per share amount shave been retroactively restated.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses and has no source of recurring revenue. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. A number of alternatives including, but not limited to selling an interest in one or more of its properties, monetizing marketable securities or completing a financing, are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The recovery of the amounts comprised in mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development, and upon future profitable production.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	2020	2019
Deficit	\$ (106,781,462)	\$ (106,500,659)
Working capital (deficiency)	\$ 3,552,846	\$ (139,785)

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of Consolidation and Presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. All dollar amounts presented are in Canadian dollars unless otherwise specified.

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries. 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. These consolidated financial statements

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

2. BASIS OF PREPARATION *(continued)*

include the accounts of the Company and its direct wholly-owned subsidiaries (Note 9). All significant intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation costs

Management has determined that exploration, evaluation, and related costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Covid-19

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 effect on the Company's business or ability to raise funds.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average number of shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries 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 Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate 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 comprehensive loss.

Flow-through shares

The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into a flow-through share premium, equal to the estimated premium that investors pay for the flow-through feature, which is recognized as a liability, and share capital. As the related exploration expenditures are incurred, the Company derecognizes the liability and the premium is recognized through the statement of loss) and comprehensive loss.

Share-based payments

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

For vested options that have expired or were cancelled unexercised, the Company reverses the share-based payment reserve against the deficit.

Unit offerings

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the relative fair value method and included in share capital with the common shares that

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

Marketable securities

Investments in marketable securities have been designated as fair value through profit or loss and are recorded at fair value. Fair value through profit or loss investments are determined by reference to the last bid price on the date of the statement of financial position. Changes in fair value are recognized in profit or loss during the period for which they occur.

Financial instruments

The Company applies the requirements of IFRS 9 – *Financial Instruments* (“IFRS 9”) which utilizes a model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model.

The following is the Company’s accounting policy for financial instruments under IFRS 9:

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. 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 opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of earnings (loss) and comprehensive earnings (loss) in the period in which they arise.

Impairment of financial assets at amortized cost

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Mineral properties

The Company accounts for its mineral properties as exploration and evaluation assets in accordance with *IFRS 6, Exploration for and Evaluation of Mineral Resources*. The Company capitalizes mineral property acquisition costs, which include the cash consideration, option payments under an earn-in arrangement, and the fair value of common shares issued for mineral properties. The acquisition costs are deferred until the property is placed into production, sold or abandoned or determined to be impaired. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Exploration and evaluation costs are expensed prior to the determination of economically recoverable reserves. Exploration and evaluation expenditures relate to costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping, and other activities in searching for ore bodies under the properties, and evaluating the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property by property basis.

Provision for environmental rehabilitation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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 the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company does not have any significant environmental rehabilitation provisions.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets

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 profit or loss for the period. For an asset that does not generate largely independent cash flows, 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.

Income taxes

Income tax expense 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. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting or taxable loss, and 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 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.

IFRS 16 Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

The Company has elected not to recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less or any leases of low dollar value. For the year ended December 31, 2020, rent expense of \$9,000 (2019 - \$18,000) has been incurred.

4. MARKETABLE SECURITIES

As at December 31, 2020, the Company holds the following common shares of public companies listed on the TSX Venture Exchange:

	December 31, 2020		December 31, 2019	
	# of shares	value	# of shares	value
Margaret Lake Diamonds Inc.	34,500	\$ 1,035	34,500	\$ 690

5. RECEIVABLES

The Company's receivables are as follows:

	December 31, 2020	December 31, 2019
GST receivable	\$ 12,530	\$ 1,553

6. LAND USE DEPOSITS

Land use deposits are interest-bearing and are held by major financial institutions on behalf of mining regulators. These deposits are held primarily for prospecting permits and will be released upon the Company incurring certain exploration expenditures on specific mineral properties. Land use deposits surrendered to mining regulators are expensed.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

7. MINERAL PROPERTIES

Title to mineral properties 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 mineral properties. The Company has investigated title to all of its mineral properties, and to the best of its knowledge, title to all of its properties are in good standing.

Newfoundland, Canada

On December 17, 2020, the Company acquired Teton Opportunities Inc. ("Teton"), a private company incorporated under the laws of British Columbia, Canada who holds an option agreement with Altius Resources Inc. ("Altius") for the Wilding Lake Project ("Wilding Lake") located in the Province of Newfoundland, Canada. The total purchase price of \$2,042,533 was effected by way of share exchange whereby Canterra issued 9,677,250 Canterra shares and 4,398,750 Canterra warrants in exchange for all the issued and outstanding securities held by Teton shareholders. Teton is now a wholly owned subsidiary of the Company. The Company's acquisition of Teton is being accounted for as an acquisition of net assets of this entity. Total consideration for the acquisition and the allocation of the consideration to the assets and liabilities acquired are as follows:

Consideration	Wilding Lake Project
Value of shares	\$ 1,451,588
Value of share purchase warrants	590,945
Transaction costs	147,625
Total consideration	\$ 2,190,158
Net assets acquired	
Cash	\$ 8,431
Receivable	1,027
Exploration and evaluation assets	2,225,503
Accounts payable and accrued liabilities	(44,803)
	\$ 2,190,158

In accordance with the terms of the Wilding Lake option agreement, the Company is required to:

- Issue Altius 12,500,000 Teton shares and warrants to acquire a further 6,250,000 Teton shares (issued on December 16, 2020 by Teton prior to acquisition);
- Complete a minimum financing for gross proceeds of \$2,500,000 (completed by Canterra on December 17, 2020 (Note 10b));
- Incur cumulative exploration expenditures of at least \$1,000,000 on the property before August 27, 2022; and
- Complete a transaction with a publicly listed company before December 31, 2020 (completed)

The property is subject to a 2% Net Smelter Return ("NSR") payable to Altius and 1.5% NSR payable to the original property owners. The Company may buyback 1% of the NSR held by the original property owners by payment of \$1,000,000.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

7. MINERAL PROPERTIES (continued)

Northwest Territories, Canada

The Company holds 100% interest in the Marlin and Rex properties which have been written down to a value of \$nil in prior years.

Others

The Company holds a 33% interest in the Buffalo Hills property located in Alberta, Canada. On March 14, 2019, the Company entered into an agreement for sale with Doug McDonald to obtain a 100% interest in the Minnitaki property in exchange for \$10,000.

During the year ended December 31, 2020, the Company incurred exploration expenditures as follows:

	Geology & Geophysics	Land Use & Tenure	Data Evaluation	Mineralogy	Recoveries	Total for the year
NEWFOUNDLAND						
Wilding Lake	\$ 6,719	\$ -	\$ -	\$ 1,264	\$ (449)	\$ 7,534
ALBERTA						
Buffalo Hills	-	23,720	258	-	(11,627)	12,351
ONTARIO						
Other	-	-	-	-	-	-
	<u>\$ 6,719</u>	<u>\$ 23,720</u>	<u>\$ 258</u>	<u>\$ 1,264</u>	<u>\$ (12,076)</u>	<u>\$ 19,885</u>

During the year ended December 31, 2019, the Company incurred exploration expenditures as follows:

	Geology & Geophysics	Land Use & Tenure	Data Evaluation	Mineralogy	Recoveries	Total for the year
NEWFOUNDLAND						
Wilding Lake	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
ALBERTA						
Buffalo Hills	-	24,490	3,514	-	(11,981)	16,023
ONTARIO						
Other	-	2,561	-	-	(1,477)	1,084
	<u>\$ -</u>	<u>\$ 27,051</u>	<u>\$ 3,514</u>	<u>\$ -</u>	<u>\$ (13,458)</u>	<u>\$ 17,107</u>

8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	December 31, 2020	December 31, 2019
Trade payables	\$ 300,483	\$ 147,388
Accrued liabilities	30,000	17,500
Total	<u>\$ 330,483</u>	<u>\$ 164,888</u>

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS

These consolidated financial statements also include the Company's wholly owned subsidiaries, Teton Opportunities Inc. ("Teton"), Triex Minerals Corporation and Triex Minerals (US) Inc. On December 12, 2019 Triex Minerals Corporation and Triex Minerals (US) Inc. were dissolved.

Key Management Personnel

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 consists of executive and non-executive members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

Compensation paid or payable to key management personnel for services rendered are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Management fees	\$ 49,034	\$ 44,147
Geological consulting fees	8,653	7,791
Total	<u>\$ 57,687</u>	<u>\$ 51,938</u>

Amounts paid or payable to companies with officers and/or directors in common are as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Rent	\$ 9,000	\$ 18,000
Accounting, investor relations, geology & other	15,166	11,877
Total	<u>\$ 24,166</u>	<u>\$ 29,877</u>

Included in accounts payable and accrued liabilities at December 31, 2020 is \$69,681 (2019 - \$112,648) due to companies with directors and/or officers in common.

On December 31, 2019 the Company entered into an unsecured loan agreement with Rand Explorations Ltd. ("Rand Explorations") to acknowledge the advances Rand Exploration has provided to the Company. The principal amount of \$155,000 was recognized with simple interest accruing at a rate of 5% maturing in December 2024. As at December 31, 2020, the Company incurred \$8,283 (2019 - \$12,388) of interest expense.

During the year ended December 31, 2020, the Company received \$80,000 in advances (2019 - \$55,000) from Rand Explorations Ltd. On December 17, 2020, the Company entered into a debt settlement agreement with Rand Explorations to settle \$340,985 of outstanding debt, including the loan payable and all related interest accrued by issuing 2,841,530 common shares. In addition, Rand Exploration forgave \$12,750 of the amount owing by the Company.

10. SHARE CAPITAL AND RESERVES

a) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting only of common shares are fully paid.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

b) Issued share capital

On July 22, 2020, the Company completed a 10:1 share consolidation.

On December 17, 2020, the Company issued 21,150,000 flow-through common shares at \$0.13 per share and 10,000,000 common shares at \$0.12 per unit in connection with a private placement financing on December 17, 2020, for aggregate proceeds of \$3,949,500. Each unit is comprised of one common share and one half of a common share purchase warrant, with each whole warrant exercisable to acquire one common share at a price of \$0.24 for a period of 24 months from December 17, 2020. A value of \$371,164 was assigned to the private placement warrants using the residual value method.

On December 17, 2020, the Company issued 9,677,250 common shares and 4,398,750 share purchase warrants to acquire Teton (Note 7). Each warrant is exercisable to acquire one common share at a price of \$0.24 for a period of 24 months from December 17, 2020. A value of \$590,946 was assigned to the warrants using the Black Scholes pricing method with the following assumptions:

	2020
Risk-free interest rate	0.24%
Expected life of options	2 years
Annualized volatility	244.96%
Weighted average FV	\$ 0.15
Expected dividend rate	0%

On December 17, 2020, the Company and Rand Explorations Ltd., a company with common directors and/or officer, entered into a debt settlement agreement whereby the Company issued 2,841,530 common shares valued at \$426,230 to settle \$340,985 of outstanding debt. In connection with the debt settlement, a loss of \$85,245 was recognized.

The Company did not issue any common shares during the year ended December 31, 2019.

c) Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

As at December 31, 2020, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Options	Exercise Price	Expiry Date
107,000	\$0.80	May 2, 2021
107,000		

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES (continued)

Stock option transactions are summarized as follows:

	December 31, 2020		December 31, 2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the year	159,500	\$ 0.80	191,500	\$ 0.90
Expired/cancelled	(52,500)	0.80	(32,000)	1.50
Balance, end of the year	107,000	\$ 0.80	159,500	\$ 0.80
Options outstanding and exercisable, end of the year	107,000	\$ 0.80	159,500	\$ 0.80

d) Warrants

As at December 31, 2020, the Company had outstanding share purchase warrants, enabling the holders to acquire further common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
4,398,750	\$0.24	December 17, 2022
5,000,000	\$0.24	December 17, 2022
9,398,750		

Share purchase warrant transactions were as follows:

	December 31, 2020		December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the year	-	\$ -	810,714	\$1.00
Issued	9,398,750	0.24	-	-
Expired	-	-	810,714	\$1.00
Balance, end of the year	9,398,750	0.24	-	-
Warrants exercisable, end of the year	9,398,750	\$ 0.24	-	-

11. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of mineral properties in Canada. All of the Company's capital assets are located in Canada.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions during the year ended December 31, 2020 consisted of the following:

- Issuance of 2,841,530 common shares valued at \$426,230 to settle \$340,985 of debt pursuant to a debt settlement agreement with the Company and Rand Explorations (Note 10b)
- Issuance of 9,677,250 common shares and 4,398,750 share purchase warrants with total fair value of \$2,042,534 pursuant to the share exchange agreement to acquire Teton and the Wilding Lake property (Note 10b).
- Residual value of \$371,164 was assigned to warrants issued as part a private placement (Note 10b).

There were no significant non-cash investing and financing transactions during the year ended December 31, 2019.

13. FINANCIAL INSTRUMENTS AND 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 cash and marketable securities is measured based on level 1 of the fair value hierarchy. The fair values of receivables, land use deposits and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Credit risk - Credit risk is the risk of a financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligation. The Company manages credit risk by carrying short-term investments, if any, with investment grade ratings. The Company's receivables consist primarily of sales tax receivables due from federal and provincial government agencies and receivables from exploration partners with whom the Company has established credit policies. The Company does not have a significant concentration of credit risk with any single counter-party. The Company's cash is invested in interest bearing accounts at major Canadian chartered banks. Because of these circumstances, the Company does not believe it has a material exposure to credit risk.

Interest rate risk - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company is not exposed to any significant interest rate risk.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances, asset sales or a combination thereof. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

Price risk - The Company is exposed to price risk with respect to commodity, equity and marketable security 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 diamonds and precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders equity, consisting of common shares, stock options and warrants.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it believes there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

15. INCOME TAXES

A reconciliation of current income and deferred taxes at statutory rates with reported taxes follows:

	2020	2019
Loss before income taxes	\$ (296,484)	\$ (152,376)
Income tax recovery (recovery)	\$ (80,000)	\$ (41,000)
Changes in tax rates and other	-	-
Permanent differences	20,000	-
Share issue cost	(10,000)	-
Adjustments to prior years provision versus statutory tax return	3,659,000	46,000
Changes in unrecognized deductible temporary differences	(3,589,000)	(5,000)
Income tax (expense) recovery	\$ -	\$ -

CANTERRA MINERALS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

15. INCOME TAXES *(continued)*

The unrecognized deductible and taxable temporary differences, unused tax losses and unused tax credits are as follows:

	2020	expiry dates	2019	expiry dates
Mineral properties	66,065,000	not applicable	69,113,000	not applicable
Investment tax credit	2,422,754	2026 to 2033	2,422,000	
Equipment	1,080,000	not applicable	1,080,000	not applicable
Share issue costs	29,000	2041 to 2044	-	
Losses available for future periods	3,238,000	2026 to 2040	13,370,000	2026 to 2039

16. SUBSEQUENT EVENTS

On March 16, 2021, the Company granted 2,382,500 options to various employees, executives, directors, and advisors for a term of five years. All of the options are subject to vesting provisions.

On April 15, 2021, the Company entered into an option agreement with Sokoman Minerals Corp. ("Sokoman") to acquire 100% of the East Alder gold project ("East Alder") located immediately northeast of the Company's Wilding Gold Project in central Newfoundland. The Company can acquire 100% of East Alder by issuing 750,000 common shares of the Company and work commitments totalling \$600,000 over a 4-year period. Sokoman will retain a 1.0% net smelter return royalty on East Alder with Canterra having the right to buy-down 0.5% of the royalty for \$1,000,000.