



## **Financial Statements**

For the Years Ended December 31, 2020 and 2019

**RED MOON RESOURCES INC.**  
December 31, 2020 and 2019

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## Independent auditor's report

To the Shareholders of Red Moon Resources Inc.

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Red Moon Resources Inc. (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 as issued by the International Accounting Standards Board (IFRS).

#### What we have audited

The Company's financial statements comprise:

- the balance sheets as at December 31, 2020 and 2019;
- the statements of loss and comprehensive loss for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit 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 financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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.

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### **Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the 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.

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 Curtis M. Gagne.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

St. John's, Newfoundland and Labrador  
April 28, 2021

# RED MOON RESOURCES INC.

## Balance Sheets

As at December 31

(in Canadian dollars)

	2020	2019
	\$	\$
<b>Assets</b>		
Current assets		
Cash	280,386	266,831
Accounts receivable	87,996	6,355
Prepaid expenses	6,684	4,655
	<b>375,066</b>	277,841
Capital assets	175	700
Mineral exploration and evaluation (Note 5)	1,696,423	1,907,217
<b>Total Assets</b>	<b>2,071,664</b>	2,185,758
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	129,393	124,423
Asset retirement obligations (Note 6)	129,430	129,430
<b>Total Liabilities</b>	<b>258,823</b>	253,853
<b>Shareholders' Equity</b>		
Share capital (Notes 8 (a) and (b))	2,839,083	2,839,083
Warrants (Note 8 (d))	36,121	102,121
Contributed surplus	505,756	373,412
Deficit	(1,568,119)	(1,382,711)
<b>Total Shareholders' Equity</b>	<b>1,812,841</b>	1,931,905
<b>Total Liabilities and Shareholders' Equity</b>	<b>2,071,664</b>	2,185,758

Subsequent Events (Note 13)

Approved on behalf of the Board of Directors

Patrick J. Laracy \_\_\_\_\_ Director

Carson Noel \_\_\_\_\_ Director

**RED MOON RESOURCES INC.**  
**Statements of Loss and Comprehensive Loss**  
**Years Ended December 31**

(in Canadian dollars)	2020	2019
	\$	\$
<b>Income (Expenses)</b>		
Management and subcontract fees (Note 10)	(22,625)	(22,487)
Transfer agent, regulatory and professional fees	(43,225)	(41,446)
Office and other	(45,204)	(43,516)
Conferences and travel	(7,485)	(26,313)
Depreciation	(525)	(525)
Impairment of mineral exploration and evaluation asset	-	(1,440)
Share-based compensation (Note 9 (b))	(66,344)	(78,171)
<b>Net and comprehensive loss</b>	<b>(185,408)</b>	<b>(213,898)</b>
<b>Net loss per share - basic and diluted</b>	<b>(0.004)</b>	<b>(0.004)</b>
Weighted-average number of common shares outstanding - basic and diluted	<b>50,600,004</b>	<b>50,600,004</b>

# RED MOON RESOURCES INC.

## Statements of Changes in Equity

(in Canadian dollars)

	Share Capital	Warrants	Contributed Surplus	Deficit	Total Shareholders' Equity
	\$	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	2,622,179	66,000	292,678	(1,168,813)	1,812,044
Net and comprehensive loss					
January 1, 2019 - December 31, 2019	-	-	-	(213,898)	(213,898)
Share-based compensation	-	-	80,734	-	80,734
Share issuance costs	(1,975)	-	-	-	(1,975)
Issuance of shares and warrants pursuant to private placement	218,879	36,121	-	-	255,000
<b>Balance, December 31, 2019</b>	<b>2,839,083</b>	<b>102,121</b>	<b>373,412</b>	<b>(1,382,711)</b>	<b>1,931,905</b>
Net and comprehensive loss					
January 1, 2020 - December 31, 2020	-	-	-	(185,408)	(185,408)
Share-based compensation	-	-	66,344	-	66,344
Expiration of Warrants		(66,000)	66,000	-	-
<b>Balance, December 31, 2020</b>	<b>2,839,083</b>	<b>36,121</b>	<b>505,756</b>	<b>(1,568,119)</b>	<b>1,812,841</b>



# RED MOON RESOURCES INC.

## Statements of Cash Flows Years Ended December 31

(in Canadian dollars)	2020	2019
	\$	\$
<b>Operating Activities</b>		
Net loss	(185,408)	(213,898)
Income taxes paid	-	-
Adjustment for non-cash item:	-	-
Depreciation	525	525
Exploration and evaluation expense	-	1,440
Share-based compensation	66,344	78,171
	<b>(118,539)</b>	<b>(133,762)</b>
Changes in non-cash working capital		
Accounts receivable	5,441	(5,173)
Prepaid expenses	(2,029)	650
Accounts payable and accrued liabilities	4,970	(158,100)
	<b>(110,157)</b>	<b>(296,385)</b>
<b>Financing Activities</b>		
Issuance of common shares & warrants	-	255,000
Share issuance costs	-	(1,975)
	-	253,025
<b>Investing Activities</b>		
Mineral exploration and evaluation assets	(63,745)	(57,964)
Incidental Revenue	185,207	366,400
Deposits refunded	2,250	-
	<b>123,712</b>	<b>308,436</b>
Net change in cash for the year	13,555	265,076
Cash, beginning of year	266,831	1,755
<b>Cash, end of year</b>	<b>280,386</b>	<b>266,831</b>

# **RED MOON RESOURCES INC.**

## **Notes to the Financial Statements**

**December 31, 2020 and 2019**

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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

Red Moon Resources Inc. (the “Company”) is a junior minerals exploration company engaged in the acquisition, evaluation, and exploration of mineral properties in Newfoundland and Labrador. The Company’s immediate objectives are to define and develop a world-class industrial mineral project. The Company plans to ultimately develop properties as joint ventures, bring them into production, option or lease properties to third parties, or sell the properties outright. As commercial viability of the Company’s projects have not yet been established, the Company is considered to be in the exploration stage.

The Company was formed on June 15, 2011 under the Alberta Business Corporations Act and was listed on the TSX Venture Exchange on August 17, 2012. Prior to listing on the TSX Venture Exchange, the Company was inactive. Its registered address is 333 Duckworth Street, St. John’s, NL A1C 1G9. On November 14, 2016, the Company changed its name from Red Moon Potash Inc. to Red Moon Resources Inc. to reflect the nature of its operations more accurately.

On March 11, 2020, the World Health Organization declared a pandemic following the emergence and rapid spread of a novel strain of coronavirus (“COVID-19”). The continued spread of COVID-19 and the actions being taken by governments, businesses and individuals may adversely impact the Company’s operations and its financial results. This has resulted in significant economic uncertainty, of which the potential impact on the Company’s future financial results is difficult to reliably measure.

### **2. BASIS OF PRESENTATION**

The Company prepares its financial statements with Canadian generally accepted accounting principles (“GAAP”) as set out in the Canadian Professional Accountants of Canada Handbook – Accounting –

Part I (“CPA Canada Handbook”) which incorporates International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

A summary of the Company’s significant accounting policies under IFRS is presented in Note 4.

These financial statements have been prepared on an historical cost basis.

The functional and presentation currency of the financial statements is Canadian dollars.

These financial statements were approved and authorized for issuance by the Board of Directors on April 28, 2021.

### **3. FUTURE ACCOUNTING STANDARDS**

#### *IAS 1 – Presentation of Financial Statements*

On January 23, 2020, the IASB issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that

# RED MOON RESOURCES INC.

## Notes to the Financial Statements

December 31, 2020 and 2019

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settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The Company is currently assessing the financial impact of the amendments and expects to apply the amendments at the effective date.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### a) *Significant management accounting estimates and judgments*

The preparation of financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below.

*Mineral exploration and evaluation assets:* At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

*Asset retirement obligation:* The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, timing of estimated cash flows and discount rates could affect the carrying amount of this provision.

*Share-based compensation:* Management is required to make certain estimates when determining the fair value of stock options, deferred share units and compensation units issued including future volatility of the Company's share price, expected forfeiture rates, expected lives of the underlying securities, expected dividends and other relevant assumptions.

**RED MOON RESOURCES INC.**  
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**December 31, 2020 and 2019**

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*Going concern:* When preparing financial statements, management is required to make an assessment of the entity's ability to continue as a going concern. This assessment requires management to estimate the Company's ability to meet current obligations and commitments over the upcoming 12 months.

*b) Share-based compensation*

The Company has an equity settled share-based payment plan. The Company uses the fair value method to measure compensation expense at the date of grant of stock options to directors, officers and employees. The fair value of options is determined using the Black-Scholes option pricing model and is amortized to earnings or loss over the vesting period with a corresponding increase to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital. Forfeiture of stock options is estimated on issuance, and the number of stock options expected to vest is reviewed at least annually with any adjustment being recognized immediately.

*c) Income taxes*

Income tax expense is comprised of current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that they relate to items recognized directly in shareholders' equity or in other comprehensive income.

Current tax expense comprises the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset tax liabilities and assets and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the unused tax losses, unused tax credits and temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

*d) Earnings (loss) per share*

Basic net earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is equivalent to basic loss per share as the inclusion of outstanding options and warrants is anti-dilutive.

**RED MOON RESOURCES INC.**  
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*e) Cash*

Cash consists of balances on hand and amounts on deposit in banks.

*f) Deposits*

The Company makes deposits on mineral licences which are refundable when and if the Company incurs sufficient exploration expenditures within a specified time frame and files a related report with the appropriate government authorities. Should the Company not incur the applicable exploration expenditures, post a bond in lieu thereof or fail to submit the related exploration report within the applicable timeframe, the deposit becomes non-refundable and is added to mineral properties.

*g) Government Grant*

Government grant received or receivable in respect of mineral exploration and evaluation assets is reflected as a reduction of the cost of the mineral exploration and evaluation asset.

*h) Mineral exploration and evaluation assets*

All costs directly associated with the exploration and evaluation of mineral properties is initially capitalized. Mineral exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include unproved property acquisition costs, geological and geophysical costs, exploration and evaluation drilling, sampling and appraisals. Costs incurred prior to acquiring the legal rights to explore an area are charged directly to net loss as exploration and evaluation expense. When an area is determined to be technically feasible and commercially viable, the accumulated costs are transferred to property, plant and equipment. When an area is determined not to be technically feasible and commercially viable or the Company decides not to continue with its activity, the unrecoverable costs are charged to net loss as exploration and evaluation expense.

Incidental revenue and cost recoveries relating to mineral exploration and evaluation assets are recorded first as a reduction of the specific exploration and evaluation property to which the fees and payments relate, and any excess as other revenue on the statement of loss.

*i) Capital Assets*

Capital Assets are recorded at cost. Depreciation is based on the estimated useful life using the declining balance method. The Company has one class of capital asset, computer equipment - depreciated at 30% declining balance.

*j) Asset retirement Obligation*

The Company recognizes a provision for retirement obligations associated with long-lived assets, which includes the abandonment of exploration and evaluation and costs required to return the property to its original condition.

**RED MOON RESOURCES INC.**  
**Notes to the Financial Statements**  
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The Company recognizes the fair value of the liability for an asset retirement obligation in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is determined through a review of engineering studies, industry guidelines, and management estimates. Fair value is estimated using the present value of the estimated future cash outflows to abandon the asset at the asset's risk-free discount rate. The liability is subsequently adjusted for the passage of time and is recognized as an accretion expense in the consolidated statements of loss and comprehensive loss. The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. If the retirement obligation relates to an area still in the exploration and evaluation stage the retirement obligation is capitalized to the exploration and evaluation asset. Subsequent to original measurement, accretion expense is also capitalized to the exploration and evaluation asset.

*k) Impairment of non-financial assets*

The carrying amount of the Company's mineral exploration and evaluation assets is assessed at each reporting period to determine whether there is any indication of impairment. If an indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Assets are grouped at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (cash generating unit or "CGU"). A CGU may include certain aggregated exploration and evaluation assets. A CGU's recoverable amount is the higher of its fair value less costs to sell and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount, with the impairment loss recognized in net loss for the reporting period. Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount, but only to the extent that this amount does not exceed the carrying amount that would have been recognized, net of depletion, depreciation and amortization, had an impairment loss not been recognized in previous periods.

*l) Warrants*

Share purchase warrants are issued together with shares as private placement units. The shares issued to raise capital are classified in equity in accordance with IAS 32. The fair value of the proceeds of the units is allocated to separate components of equity – share capital and warrants. Subsequent modifications to an entire class of share purchase warrants classified as equity are not subsequently remeasured.

*m) Financial instruments*

The Company classifies its financial instruments in the following measurement categories: fair value through profit and loss (FVTPL); fair value through other comprehensive income (FVOCI); or amortized cost. Management determines the classification of its financial instruments at initial recognition.

The accounting policies related to these financial assets and liabilities are as follows:

*Amortized cost and effective interest rate*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments (including all fees, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

# RED MOON RESOURCES INC.

## Notes to the Financial Statements

December 31, 2020 and 2019

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### *Initial recognition and measurement*

Financial instruments are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial instruments, other than financial instruments at FVTPL are added to or deducted from the fair value of the financial instrument, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at FVTPL are recognized immediately in net earnings.

### *Classification and subsequent measurement*

A financial asset is subsequently measured at:

- amortized cost if it is held for the purposes of collecting contractual cash flows with such cash flows solely comprising payments of principal and interest on the principal amount outstanding;
- fair value through other comprehensive income if it is: held for the purposes of collecting contractual cash flows and selling financial assets with such cash flows solely comprising payments of principal and interest on the principal amount outstanding; or irrevocably designated as such upon initial recognition; and
- FVTPL if it is: neither classified as subsequently measured at amortized cost nor FVOCI; or irrevocably designated as such upon initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Company classifies its financial assets using the following measurement categories:

- FVOCI; or
- Amortized cost

Liabilities carried at amortized cost will continue to be measured as outlined in measurement methods above.

### *Impairment of financial assets*

Financial assets which are measured subsequent to initial recognition at amortized cost are assessed for indicators of impairment at the end of each reporting period. The amount of the impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The Company's financial assets carried at amortized cost consist only of cash and accounts receivable.

The Company's exposure to credit risk on its cash balance is mitigated as cash deposits are held with major financial institutions with strong credit ratings.

A loss allowance provision, which reflects the Company's estimate of credit losses, is applied to reduce the carrying amount of trade receivables and due from related parties. Subsequent recoveries of amounts previously provided for are credited against the allowance.

#### *n) Flow-through shares*

The Company finances a portion of its exploration activities through the issuance of flow-through common shares, whereby the related resource expenditure deductions normally available for income tax purposes are renounced to investors, in accordance with flow-through share agreements. At the time of share issuance, the proceeds are allocated between share capital and the obligation to deliver the tax deduction (flow-through premium liability). Deferred income taxes related to the temporary differences created by the renouncement of

**RED MOON RESOURCES INC.**  
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flow-through share tax benefits to subscribers are recorded on a pro-rata basis as the qualified expenditures are incurred.

The tax value of the renunciation is recorded as a deferred income tax liability with a corresponding charge to deferred income tax expense in the statement of loss. Additionally, as the qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow through premium liability as other income in the statement of loss.

**5. MINERAL EXPLORATION AND EVALUATION ASSETS**

The Company has 19 mineral licences (2019 – 19) which consist of 222 claims (2019 – 233 claims), which are active and in good standing with the Department of Natural Resources in the Province of Newfoundland and Labrador. These licences are in the exploration and evaluation stage. The Company has a mining lease (Ace Mining Lease #239) registered with the Department of Natural Resources in the Province of Newfoundland and Labrador on mineral licence 022132M situated near St. George’s, Western Newfoundland.

A summary of the costs of these licences is as follows:

	<b>December 31, 2020</b>				
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Refunds</b>	<b>Incidental Revenue</b>	<b>Balance, End of Year</b>
	\$	\$	\$	\$	\$
Property acquisition costs	1,096,390	6,995	(2,250)	-	1,101,135
Exploration costs	810,827	56,750	-	(272,289)	595,288
	<b>1,907,217</b>	<b>63,745</b>	<b>(2,250)</b>	<b>(272,289)</b>	<b>1,696,423</b>

	<b>December 31, 2019</b>				
	<b>Balance, Beginning of Year</b>	<b>Additions</b>	<b>Impairment</b>	<b>Incidental Revenue</b>	<b>Balance, End of Year</b>
	\$	\$	\$	\$	\$
Property acquisition costs	1,084,965	11,425	-	-	1,096,390
Exploration costs	1,007,767	170,900	(1,440)	(366,400)	810,827
	<b>2,092,732</b>	<b>182,325</b>	<b>(1,440)</b>	<b>(366,400)</b>	<b>1,907,217</b>

Incidental revenue includes proceeds from the sale of gypsum from the Ace Gypsum mine. Current year additions to mineral exploration costs include share-based compensation of \$nil (2019 - \$2,563).



**RED MOON RESOURCES INC.**  
**Notes to the Financial Statements**  
December 31, 2020 and 2019

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**6. ASSET RETIREMENT OBLIGATIONS**

Upon termination of the Company's Ace Gypsum mine, the Company is required to satisfy certain asset retirement obligations including the removal of any equipment and the restoration of the land and premises to their original condition.

The total discounted cash flows estimated to settle its asset retirement obligations at December 31, 2020 was \$129,430 (2019- \$129,430), The estimated future cash flows have been discounted using a risk-free rate of 0.2% and an inflation rate of 0.7%. As at December 31, 2020, the Company had entered an agreement with an insurance company to provide a surety bond to the Newfoundland and Labrador government in compliance with its requirements under the approved site development plan, as submitted and reviewed by the government of Newfoundland and Labrador. As additional work and reclamation is completed on the property, the Company will increase or decrease this bond as required by the Newfoundland and Labrador government.

A reconciliation of the asset retirement obligation is provided below:

	2020	2019
	\$	
Balance, beginning of year	129,430	35,777
Provisions incurred	-	93,653
<b>Balance, end of year</b>	<b>129,430</b>	<b>129,430</b>

**7. INCOME TAXES**

*a) Deferred income taxes*

The Company has an unrecorded deferred income tax asset as follows:

	2020	2019
	\$	\$
Temporary differences related to mineral exploration and evaluation assets	(148,661)	(66,974)
Share issuance costs	(401)	(631)
Non-capital loss carryforwards	(161,017)	(207,062)
<b>Unrecognized deferred tax asset</b>	<b>(310,079)</b>	<b>(274,667)</b>

**RED MOON RESOURCES INC.**  
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*b) Income tax rates*

Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial income tax rates of 30% (2019 - 30%) to (loss) before income taxes as follows:

	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Expected income tax recovery	<b>(55,622)</b>	(64,169)
Non-deductible share-based compensation	<b>19,903</b>	23,451
Taxable incremental revenue capitalized in E&E	<b>81,614</b>	110,114
Permanent differences	<b>150</b>	366
Loss carryforwards utilized	<b>(46,045)</b>	(69,762)
Deferred income tax expense	<b>-</b>	<b>-</b>

*c) Non-capital losses*

The Company has non-capital losses amounting to \$536,723 which are available to reduce taxable income of future years. These non-capital losses expire as follows:

2034	\$ 120,598
2035	\$ 150,364
2036	\$ 96,235
2037	\$ 83,668
2038	\$ 85,859

The Company also has Canadian exploration expenses of \$2,191,955 which may be deducted in determining taxable income of future years.

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**8. SHARE CAPITAL**

*a) Authorized*

Unlimited number of voting common shares  
Unlimited number of preferred shares, issuable in series

*b) Issued and outstanding*

	2020		2019	
	Number	Share Capital	Number	Share Capital
<b>Common Shares</b>		\$		\$
Balance, beginning of year	<b>50,600,004</b>	<b>2,839,093</b>	48,050,004	2,622,179
Issued pursuant to private placement (Note 8 (c))	-	-	2,550,000	218,879
Share issuance cost	-	-	-	(1,975)
<b>Balance, end of year</b>	<b>50,600,004</b>	<b>2,839,093</b>	50,600,004	2,839,083

*c) Private Placement*

The Company completed a private placement on April 9, 2019 for 2,550,000 units at a price of \$0.10 per unit, total proceeds \$255,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.25 per unit until April 9, 2021.

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d) *Warrants*

A summary of warrants as at December 31, 2020 and changes during the periods then ended is as follows:

	2020		2019	
	Number of Warrants	Weighted- Average Exercise Price \$	Number of Warrants	Weighted- Average Exercise Price \$
Outstanding, beginning of year	3,800,000	0.15	2,525,000	0.10
Issued	-	-	1,275,000	0.25
Expired	(2,525,000)	0.10	-	-
<b>Outstanding, end of year</b>	<b>1,275,000</b>	<b>0.25</b>	<b>3,800,000</b>	<b>0.15</b>

	2020	2019
	\$	\$
Balance, beginning of year	102,121	66,000
Fair value of warrants issued	-	36,121
Expired during the year	(66,000)	-
<b>Balance, end of year</b>	<b>36,121</b>	<b>102,121</b>

The weighted average fair value of the warrants issued during 2019 were estimated on the dates of the issuance to be \$0.0283 using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	December 31, 2020	December 31, 2019
Expected volatility (%)	-	130
Risk free interest rate (%)	-	2
Weighted-average expected life (years)	-	2
Dividend yield (%)	-	-

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**9. SHARE-BASED COMPENSATION**

*a) Stock option plan*

The Company has a stock option plan under which directors, officers, management, consultants and employees of the Company are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan shall not exceed 10% of the issued shares of the Company at the time of granting the options. The number of shares which may be reserved for issuance in any 12 month period to any one individual may not exceed 5% of the issued shares or 2% if the optionee is a consultant, and the number of shares which may be reserved for issuance in any 12 month period to all optionees engaged in investor relations activities may not exceed 2% in the aggregate of the issued shares on a yearly basis. Options may be exercisable over periods of up to ten years, as determined by the Board of Directors of the Company and are required to have an exercise price no less than the closing market price of the Company's shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the TSXV.

*b) Stock options*

A summary of stock options outstanding and exercisable is as follows:

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Number of Options</b>	<b>Weighted- Average Exercise Price</b>	<b>Number of Options</b>	<b>Weighted- Average Exercise Price</b>
		<b>\$</b>		<b>\$</b>
Outstanding, beginning of year	<b>4,500,000</b>	<b>0.10</b>	<b>3,800,000</b>	<b>0.10</b>
Granted	<b>1,100,000</b>	<b>0.10</b>	<b>700,000</b>	<b>0.10</b>
Expired	<b>(600,000)</b>	-	-	-
Outstanding, end of period	<b>5,000,000</b>	<b>0.10</b>	<b>4,500,000</b>	<b>0.10</b>
<b>Outstanding and exercisable, end of year</b>	<b>4,150,000</b>	<b>0.10</b>	<b>4,150,000</b>	<b>0.10</b>

The Company granted 1,100,000 stock options to directors with each option entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 550,000 options vested on the date of the grant December 16, 2020 and the remaining 550,000 options vest December 31, 2021. In the year ended December 31, 2019, the Company granted 700,000 stock options in two grants. One grant of 100,000 was granted to a Director entitling the holder to purchase one common share at \$0.10 for a period of five years. 50,000 options vested on the date of the grant May 6, 2019 and 50,000 shares vest on December 31, 2020. Another grant of 600,000 options was granted to Director's entitling the holder to purchase one common share at \$0.10 per share for a period of five years. 300,000 shares vested on the date of the grant December 30, 2019 and 300,000 shares vest on March 31, 2021.

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The weighted average remaining contractual life of outstanding options is 2.59 years (December 31, 2019 – 2.91 years). The weighted average remaining contractual life of exercisable options is 2.30 years (December 31, 2019- 2.54 years). The weighted average fair value of stock options granted in the year was estimated on the dates of the grants to be \$0.075 (December 31, 2019- \$0.0905) using the Black-Scholes fair value option pricing model and the following weighted average assumptions:

	<b>December 31, 2020</b>	December 31, 2019
Expected volatility (%)	175	183
Risk free interest rate (%)	0.45	1.65
Weighted-average expected life (years)	5.0	5.0
Dividend yield (%)	0	0

Share-based compensation in the amount of \$66,344 was expensed for the year ended December 31, 2020 (2019 - \$78,171) and \$nil (2019 - \$2,563) was capitalized to mineral exploration and evaluation assets.

**10. RELATED PARTY TRANSACTIONS**

The Company is controlled by Vulcan Minerals Inc., which owns 63.03% of the Company’s common shares (December 31, 2019- 63.03%). The following transactions were carried out with related parties:

	<b>2020</b>	2019
	\$	\$
Expenditures paid/payable to Vulcan Minerals Inc., parent of the Company and reflected as:		
Mineral exploration and evaluation assets	<b>34,280</b>	43,310
Royalty	<b>5,780</b>	12,255
General and administrative expenses	<b>24,425</b>	18,500
Rent paid to a corporation which is controlled by the President of the Company	<b>12,000</b>	12,000
	<b>76,485</b>	86,065

A 3% Net Production Royalty of \$5,780 due to the parent Company on net proceeds from the Ace Gypsum mine production was incurred in the year (2019 - \$12,255).

Compensation for key management personnel, which includes the President and Chief Executive Officer, Chief Financial Officer and Directors, is as follows:

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	2020	2019
	\$	\$
Management fees, salaries and benefits for key management personnel paid/payable to parent and included in Note 10 above, and reflected as the following:		
General and administrative expenses	24,425	18,500
Capitalized as mineral and exploration and evaluation assets	27,630	29,715
Share-based compensation		
General and administrative expense	66,344	78,171
Mineral exploration and evaluation assets	-	2,563
	<b>118,399</b>	<b>128,949</b>

Accounts payable and accrued liabilities include \$65,585 owing to parent company, Vulcan Minerals Inc. at December 31, 2020 (2019 - \$73,672). Included in expenses are costs of \$23,877 incurred by Vulcan Minerals and reimbursed by the Company (2019 - \$44,185).

**11. CAPITAL MANAGEMENT**

The capital structure of the Company consists of equity comprising share capital, contributed surplus, warrants, and deficit. The Company's objective when managing capital is to safeguard its accumulated capital in order to maintain its ability to continue as a going concern and to fund exploration activities. The Company maintains its capital on deposit with Canadian chartered banks.

**12. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT**

*Fair values of financial instruments*

The carrying amount of cash, accounts payable and accrued liabilities, approximate their fair value due to their short-term nature. The Company does not have any other financial assets or liabilities.

The Company has exposure to credit risk, liquidity risk, market risk and commodity price risk. The source of risk exposure and how each is managed is outlined below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Company is exposed to credit risk on its cash and accounts receivable. Cash is maintained on deposit with a major Canadian chartered bank. The Company believes its credit risk with respect to cash and accounts receivable is not significant.

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*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. As of December 31, 2020 the Company had a cash balance of \$280,386 and a positive working capital of \$245,673. Subsequent to year-end the Company completed financings totaling \$4,199,980. These funds are unrestricted and are intended to be used as working capital and to increase the Company's ability to fund future exploration projects.

*Market risk*

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and commodity prices will affect the Company's net loss or the value of its financial instruments.

*Commodity price risk*

The recoverability of the Company's mineral exploration and evaluation assets is partially related to the market price of base metals and commodities. The Company does not hedge this exposure to fluctuations in commodity prices. The Company's ability to continue with its exploration programs is also indirectly subject to commodity prices.

**13. SUBSEQUENT EVENTS**

The Company has completed a number of equity transactions subsequent to year-end. The details of these transactions are as follows:

a) Private placements relating to the issuance of 16,999,944 units for \$4,199,980

On February 8, 2021 the company closed a non-brokered private placement for proceeds of \$700,000.00. The company placed 7,000,000 units at a price of \$.10 per unit. A unit consists of consist of one common share and one half common share purchase warrant exercisable at a price of \$0.17 per common share for a period of two years subject to an acceleration clause whereby in the event that the closing price of the Company's Shares on the TSX Venture Exchange is \$0.30 or greater per share during any ten (10) consecutive trading day period at any time subsequent to four months and one day after the closing date, the Warrants will expire at 4:00 p.m (Newfoundland Time) on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the warrants.

On March 25, 2021 the company closed a non-brokered private placement for proceeds of \$3,499,980. The company placed 9,999,944 units at a price of \$0.35 per unit. A unit consists of one common share and one half common share purchase warrant with each whole warrant to be exercisable at a price of \$0.55 per common share for a period of two years subject to an acceleration clause whereby in the event that the closing price of the company's shares on the TSX Venture Exchange is \$0.85 or greater per share during any ten consecutive trading day period at any time subsequent to four months and one day after the closing date, the warrants will expire at 4pm (Newfoundland Time) on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the warrants. Finder's Fees in the aggregate amount of \$181,377 cash and 518,220 finders' warrants have been issued as a result of this financing.



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*b) Extension of Options and Warrants*

The Company received TSX venture approval to extend:

-1, 275,000 common share purchase warrants originally issue on April 9, 2019 to April 9, 2024. Each warrant entitles the purchaser to acquire one share at a price of \$0.25.

-1,000,000 stock options originally issued by the company on March 16, 2016 were extended to March 16, 2026 without any change to exercise price of \$0.10.

*c) Share Position*

The shares total number of shares outstanding at April 28, 2021 is 67,799,948 of which Vulcan Minerals inc. own 28,891,000 (42.6%).

*d) Issuance of Stock Options*

On April 9, 2021 the Company issued 1,700,000 Directors' and Officers stock options exercisable at \$0.50 for a period of five years. 50% of the stock options vest immediately and 50% vest on July 1, 2022. 6,100,000 options are currently issued while 4,700,000 are exercisable.

# **CORPORATE INFORMATION**

## **OFFICERS AND MANAGEMENT**

Patrick J. Laracy  
President and Chairman

Jennifer Button  
Chief Financial Officer and Corporate  
Secretary

## **BOARD OF DIRECTORS**

Patrick J. Laracy

Fraser Edison

Carson Noel

Timothy Rowland Howe

John Anderson

## **EXCHANGE LISTING**

TSX Venture – “RMK”

## **LEGAL COUNSEL**

Morris McManus, Calgary, AB  
Cox & Palmer, St. John’s, NL

## **REGISTRAR AND TRANSFER AGENT**

Computershare Trust Company of Canada

## **AUDITORS**

PricewaterhouseCoopers LLP

## **BANKERS**

**Scotiabank**

## **HEAD OFFICE**

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