

**WESTHAVEN GOLD CORP.**  
**(An Exploration Stage Company)**

**Financial Statements**  
**December 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

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## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF WESTHAVEN GOLD CORP.

#### *Opinion*

We have audited the financial statements of Westhaven Gold Corp. (the "Company"), which comprise:

- ♦ the statements of financial position as at December 31, 2021 and 2020;
- ♦ the statements of loss and comprehensive loss for the years then ended;
- ♦ the statements of changes in shareholders' equity for the years then ended;
- ♦ the statements of cash flows for the years then ended; and
- ♦ the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, 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 *Auditors' Responsibilities for the Audit of the 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 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 is sufficient in our audits and appropriate to provide a basis for our opinion.

#### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of \$2,049,316 during the year ended December 31, 2021 and, as of that date, has an accumulated deficit of \$10,270,259. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 comprises of Management's Discussion and Analysis.

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.

We obtained Management's Discussion and Analysis prior to the date of this auditors' 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 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.

### *Auditors' 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 auditors' 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 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 auditors' 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 auditors' report is Hervé Leong-Chung.

Chartered Professional Accountants

Vancouver, British Columbia  
April 22, 2022

**WESTHAVEN GOLD CORP.**  
**(An Exploration Stage Company)**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

| December 31,   | 2021          | 2020          |
|--|---------------|---------------|
| <b>Assets</b>  |               |               |
| <b>Current</b>   |               |               |
| Cash   | \$ 3,819,676  | \$ 131,503    |
| Other receivables (note 8)                             | 93,138        | 223,863       |
| BCMETC receivable (note 7)                             | 2,040,000     | 2,071,913     |
| Prepaid expenses                                       | 1,966         | 1,966         |
|  | 5,954,780     | 2,429,245     |
| <b>Reclamation Deposits</b> (note 7)                   | 100,000       | 100,000       |
| <b>Property and Equipment</b> (note 5)                 | 103,609       | 147,301       |
| <b>Right-of-Use Assets</b> (note 6)                    | 33,084        | 106,720       |
| <b>Mineral Properties</b> (note 7)                     | 24,366,812    | 15,938,142    |
|  | \$ 30,558,285 | \$ 18,721,408 |
| <b>Liabilities</b>                                     |               |               |
| <b>Current</b>   |               |               |
| Accounts payable and accrued liabilities (note 9)      | \$ 189,579    | \$ 870,266    |
| Current portion of lease liability (note 6)            | 39,180        | 71,902        |
| Current portion of equipment loan (note 5)             | 4,379         | 8,580         |
|  | 233,138       | 950,748       |
| <b>Flow-through Share Liability</b> (notes 8 and 12)   | 601,639       | 980,586       |
| <b>Non-current Portion of Lease Liability</b> (note 6) | -             | 39,180        |
| <b>Non-current Portion of Equipment Loan</b> (note 5)  | 10,948        | 30,029        |
|  | 845,725       | 2,000,543     |
| <b>Shareholders' Equity</b>                            |               |               |
| <b>Capital Stock</b> (note 8)                          | 33,289,924    | 20,991,748    |
| <b>Reserves</b> (note 8)                               | 6,692,895     | 4,042,747     |
| <b>Deficit</b>   | (10,270,259)  | (8,313,630)   |
|  | 29,712,560    | 16,720,865    |
|  | \$ 30,558,285 | \$ 18,721,408 |

These financial statements are signed on behalf of the Board of Directors by:

"Gareth Thomas" (signed)  
Director

"Shaun Pollard" (signed)  
Director

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

**WESTHAVEN GOLD CORP.**  
**(An Exploration Stage Company)**  
**Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

| <b>Years Ended December 31,</b>                             | <b>2021</b>           | <b>2020</b>         |
|---|-----------------------|---------------------|
| <b>Expenses</b>   |                       |                     |
| Share-based payments (notes 8(d) and 9)                     | \$ 710,359            | \$ -                |
| Salary and benefits (note 9)                                | 709,549               | 614,588             |
| Advertising and promotion                                   | 614,343               | 284,400             |
| Professional fees   | 199,225               | 163,682             |
| Rent (note 9)   | 82,252                | 90,662              |
| Regulatory and filing fees                                  | 48,844                | 51,656              |
| General and administrative (note 9)                         | 32,521                | 69,139              |
| Insurance   | 24,493                | 23,793              |
| Interest and bank charges (notes 6 and 9)                   | 12,629                | 16,363              |
| Amortization (note 5)                                       | 11,024                | 7,453               |
| Travel  | 6,179                 | 47,172              |
|   | (2,451,418)           | (1,368,908)         |
| Premium on flow-through shares (note 12)                    | 378,947               | 358,741             |
| Interest income   | 24,322                | 60,524              |
| Loss on sale of equipment                                   | (1,167)               | -                   |
| <b>Net Loss and Comprehensive Loss for Year</b>             | <b>\$ (2,049,316)</b> | <b>\$ (949,643)</b> |
| <b>Basic and Diluted Loss Per Share</b>                     | <b>\$ (0.02)</b>      | <b>\$ (0.01)</b>    |
| <b>Weighted Average Number of Common Shares Outstanding</b> | <b>122,569,493</b>    | <b>99,992,727</b>   |

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

**WESTHAVEN GOLD CORP.**  
**(An Exploration Stage Company)**  
**Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**

|   | Capital Stock |               | Reserves     |              |                | Deficit         | Total Shareholders' Equity |
|---|---------------|---------------|--------------|--------------|----------------|-----------------|----------------------------|
|   | Common Shares | Amount        | Warrants     | Options      | Total Reserves |                 |                            |
| <b>Balance, December 31, 2019</b>       | 96,949,709    | \$ 16,687,879 | \$ 92,687    | \$ 3,682,995 | \$ 3,775,682   | \$ (7,363,987)  | \$ 13,099,574              |
| Flow-through shares issued (note 6)     | 5,447,700     | 4,194,729     | -            | -            | -              | -               | 4,194,729                  |
| Exercise of options                     | 2,425,000     | 430,494       | -            | (197,494)    | (197,494)      | -               | 233,000                    |
| Share-based payments                    | -             | -             | -            | 464,559      | 464,559        | -               | 464,559                    |
| Share issue costs                       | -             | (321,354)     | -            | -            | -              | -               | (321,354)                  |
| Net loss for the year                   | -             | -             | -            | -            | -              | (949,643)       | (949,643)                  |
| <b>Balance, December 31, 2020</b>       | 104,822,409   | \$ 20,991,748 | \$ 92,687    | \$ 3,950,060 | \$ 4,042,747   | \$ (8,313,630)  | \$ 16,720,865              |
| Non flow-through shares issued (note 6) | 21,378,500    | 13,468,455    | 1,496,495    | -            | 1,496,495      | -               | 14,964,950                 |
| Expiration of warrants                  | -             | -             | (92,687)     | -            | (92,687)       | 92,687          | -                          |
| Share-based payments                    | -             | -             | -            | 1,246,340    | 1,246,340      | -               | 1,246,340                  |
| Share issue costs                       | -             | (1,170,279)   | -            | -            | -              | -               | (1,170,279)                |
| Net loss for the year                   | -             | -             | -            | -            | -              | (2,049,316)     | (2,049,316)                |
| <b>Balance, December 31, 2021</b>       | 126,200,909   | \$ 33,289,924 | \$ 1,496,495 | \$ 5,196,400 | \$ 6,692,895   | \$ (10,270,259) | \$ 29,712,560              |

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

**WESTHAVEN GOLD CORP.**  
**(An Exploration Stage Company)**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

| <b>Years Ended December 31,</b>                     | <b>2021</b>         | <b>2020</b>        |
|---|---------------------|--------------------|
| <b>Operating Activities</b>                         |                     |                    |
| Net loss for year                                   | \$ (2,049,316)      | \$ (949,643)       |
| Items not involving cash                            |                     |                    |
| Share-based payments                                | 710,359             | -                  |
| Premium on flow-through shares                      | (378,947)           | (358,741)          |
| Amortization  | 11,024              | 7,453              |
| Accrued interest                                    | 8,498               | 11,119             |
| Loss on sale of equipment                           | 1,167               | -                  |
|   | (1,697,215)         | (1,289,812)        |
| Changes in non-cash working capital                 |                     |                    |
| Other receivables                                   | 130,725             | (20,688)           |
| Accounts payable and accrued liabilities            | (508)               | (52,010)           |
| <b>Cash Used in Operating Activities</b>            | <b>(1,566,998)</b>  | <b>(1,362,510)</b> |
| <b>Financing Activities</b>                         |                     |                    |
| Non-flow through shares issued                      | 14,964,950          | -                  |
| Flow-through shares issued                          | -                   | 5,175,315          |
| Share issue costs                                   | (1,170,279)         | (321,354)          |
| Exercise of options                                 | -                   | 158,000            |
| Equipment loan                                      | 18,246              | 42,899             |
| Repayment of loan                                   | (41,528)            | (4,290)            |
| Repayment of lease obligations                      | (80,400)            | (63,050)           |
| <b>Cash Provided by Financing Activities</b>        | <b>13,690,989</b>   | <b>4,987,520</b>   |
| <b>Investing Activities</b>                         |                     |                    |
| Expenditures on mineral properties, net of BCMETC   | (8,434,618)         | (7,692,244)        |
| Expenditures on property and equipment              | (18,200)            | (108,575)          |
| Sale of equipment                                   | 17,000              | -                  |
| Expenditures on reclamation deposits                | -                   | (20,000)           |
| <b>Cash Used in Investing Activities</b>            | <b>(8,435,818)</b>  | <b>(7,820,819)</b> |
| <b>Inflow (Outflow) of Cash</b>                     | <b>3,688,173</b>    | <b>(4,195,809)</b> |
| <b>Cash, Beginning of the Year</b>                  | <b>131,503</b>      | <b>4,327,312</b>   |
| <b>Cash, End of the Year</b>                        | <b>\$ 3,819,676</b> | <b>\$ 131,503</b>  |
| <b>Supplemental Cash Flow Information</b>           |                     |                    |
| Accounts payable included in mineral properties     | \$ 57,266           | \$ 737,445         |
| BCMETC included in mineral properties               | \$ 1,949,337        | \$ 2,071,913       |
| Share-based payments included in mineral properties | \$ 535,981          | \$ 464,559         |
| Amortization included in mineral properties         | \$ 106,337          | \$ 91,676          |
| Interest paid                                       | \$ 4,131            | \$ 5,151           |
| Taxes paid  | \$ -                | \$ -               |

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



**WESTHAVEN GOLD CORP.**  
**(An Exploration Stage Company)**  
**Notes to Financial Statements**  
**Years Ended December 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

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

Westhaven Gold Corp. (the "Company") is an exploration stage company incorporated under the *Business Corporations Act* of British Columbia and commenced operations on May 5, 2010. The Company is engaged in the acquisition and exploration of mineral properties in Canada.

The head office and records office of the Company is located at 1056 - 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business.

The Company has sustained recurring losses and negative cash flows from operations. During the year ended December 31, 2021, the Company incurred a net loss of \$2,049,316 (2020 - \$949,643) and, as of that date, had an accumulated deficit of \$10,270,259 (2020 - \$8,313,630). The Company has ongoing requirements for capital investment for its mineral property interests. The Company will need to raise substantial additional capital through equity financing to accomplish its business plan over the next several years. There can be no assurance as to the availability or terms upon which such financing might be available.

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its mineral interests. The recoverability of amounts shown for mineral property interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these mineral property interests, and establish future profitable production, or realize proceeds from the disposition of mineral interests. The carrying value of the Company's mineral property interests does not reflect current or future values.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As of March 2020, the COVID-19 pandemic has caused significant disruptions to the global economy and increased volatility in the global financial markets. The extent to which COVID-19 may adversely impact the Company's business and financing opportunities will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. To date, COVID-19 has had minimal impact on the Company's exploration activities. Although it is not possible to reliably estimate the length or severity of these developments and their financial impact to the date of approval of these financial statements, there may be further significantly adverse impacts on the Company's financial position and results of operations for future periods if the pandemic is not successfully contained or the effects of which are not mitigated.

**WESTHAVEN GOLD CORP.**  
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**Notes to Financial Statements**  
**Years Ended December 31, 2021 and 2020**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION**

(a) Statement of compliance

These financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. Also, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company's functional and presentation currency is the Canadian dollar.

(b) Approval of the financial statements

The financial statements of the Company as at December 31, 2021 and 2020 and for the years then ended were approved and authorized for issue by the Board of Directors on April 22, 2022.

(c) Use of judgments and estimates

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

*Critical accounting estimates*

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

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**2. BASIS OF PRESENTATION (Continued)**

(c) Use of judgments and estimates (Continued)

*Critical accounting estimates (Continued)*

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Right-of-use assets and lease liability

The Company uses estimation in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency, and geographic location. Where the rate implicit in the lease is not readily determinable, the discount rate of the lease obligations is estimated using a discount rate similar to the Company's specific borrowing rate. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase the asset of a similar value, with similar payment terms and security in a similar environment.

*Critical accounting judgments*

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Recoverability of mineral properties

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indicators of impairments. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's minerals properties.

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessments/studies, accessible facilities, and existing permits.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, fund ongoing exploration activities and meet its liabilities for the ensuing year as they fall due involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

**WESTHAVEN GOLD CORP.**  
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**2. BASIS OF PRESENTATION (Continued)**

- (c) Use of judgments and estimates (Continued)

*Critical accounting judgments (Continued)*

Mining exploration tax credits and flow-through expenditures

The Company is entitled to refundable tax credits on qualified mining exploration expenses incurred in the province of British Columbia. Management's judgment is applied in determining whether the mining exploration expenses are eligible for claiming such credits. Those benefits are recognized when the Company estimates that it has reasonable assurance that the tax credits will be realized. Upon review of the mining exploration tax credit claim by the Canada Revenue Agency, any adjustments to the estimate made by the Company are recorded in the period of the tax assessment.

The Company is also required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualifying expenditures have been incurred. Differences in judgment between management and regulatory authorities could materially decrease mining exploration tax credits or increase the flow-through share premium liability and flow-through expenditure commitment.

Right-of-use assets and lease liability

The Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

**3. SIGNIFICANT ACCOUNTING POLICIES**

- (a) Financial instruments
- (i) Financial assets

Initial recognition and measurement

A financial asset is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. On initial recognition, a financial asset is classified as measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets measured at amortized cost*

A financial asset is subsequently measured at amortized cost, using the effective interest method and net of any impairment allowance, if:

- The asset is held within a business whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest.

The Company classifies reclamation deposits as measured at amortized cost.

*Financial assets measured at fair value through other comprehensive income ("FVTOCI")*

A financial asset measured at fair value through other comprehensive income is measured at fair value with changes in fair value included in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income remain within accumulated other comprehensive income when the financial instrument is derecognized or its fair value substantially decreases.

There are no financial assets classified as measured at FVTOCI.

*Financial assets at fair value through profit or loss*

Financial assets measured at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value therein, recognized in profit or loss. The Company classifies cash and receivables (net GST) as fair value through profit or loss.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(a) Financial instruments (Continued)

(ii) Derecognition

A financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets is derecognized when:

- The contractual rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iii) Financial liabilities

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities subsequently measured at amortized cost. All interest-related charges are reported in profit or loss within interest expense, if applicable.

(iv) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

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**(Expressed in Canadian Dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Property and equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated using the declining-balance and straight-line methods applying the following annual rates:

|                                 |                      |
|---------------------------------|----------------------|
| Computer equipment and software | 30%                  |
| Furniture and equipment         | 20%                  |
| Vehicles                        | 30%                  |
| Leasehold improvements          | 3-year straight-line |

(c) Mineral properties

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration and classified as a component of mineral properties.

Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs including drilling costs directly attributable to a property, and directly attributable general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of mineral property.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property and equipment.

(d) Impairment of non-current 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.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(d) Impairment of non-current assets (Continued)

When 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.

(e) Provision for closure and reclamation

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.

(f) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.



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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(g) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock. For those unexercised options and share purchase warrants that expired, the recorded value is transferred to deficit.

The fair value of awards is calculated using the Black-Scholes option pricing model, which considers the following factors:

- Exercise price
- Expected life
- Expected volatility
- Forfeiture rate
- Current market price of underlying shares
- Risk-free interest rate
- Dividend yield

(h) Earnings or loss per share

Earnings or loss per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share. Under this method, the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(i) Flow-through shares

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds using the residual method and allocates the funds received as follows:

- Capital stock – the market value of the common shares;
- Warrant reserve – if warrants are being issued, up to the amount calculated using the Black-Scholes option pricing model; and
- Flow-through share liability – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature.

Thereafter, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets and the flow-through share liability is amortized to the statement of loss and comprehensive loss.

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

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

(j) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market value of the common shares at the time the units are priced, and any excess is allocated to warrants.

(k) Mining exploration tax credits

The Company recognizes mining exploration tax credits in the period in which the related exploration expenses were incurred and collectability is reasonably assured. The mining exploration tax credits are capitalized to offset the cost of mineral properties.

(l) Leases

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

The Company, as lessee, is required to recognize a right-of-use asset ("ROU asset"), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 *Leases* ("IFRS 16") to leases with a term

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of less than 12 months or to low value assets, which is made on an asset by asset basis.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(l) Leases (Continued)

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to exercise;
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in profit or loss in the period in which they are incurred.

The ROU assets are presented within "Right-of-use assets" and the lease liabilities are presented in "Current Portion of Lease liability" and "Non-Current Portion of Lease Liability" on the statement of financial position.

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**4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company's financial instruments classified as level 1 in the fair value hierarchy are cash, other receivables, reclamation deposits and accounts payable and accrued liabilities, as their carrying values approximate their fair values due to their short term to maturity. The lease liability and equipment loan are classified as level 3.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Company manages credit risk, in respect of cash, by ensuring that these financial assets are placed with a major Canadian financial institution with strong investment-grade ratings. Concentration of credit risk exists with respect to the Company's cash, as amounts are held with a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

|                                      | <b>2021</b>  | <b>2020</b> |
|--------------------------------------|--------------|-------------|
| Cash – Canadian dollars              | \$ 3,819,676 | \$ 131,503  |
| Other receivables – Canadian dollars | \$ -         | \$ 75,000   |

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

At December 31, 2021, the Company had cash in the amount of \$3,819,676 (2020 - \$131,503), and current liabilities of \$233,138 (2020 - \$950,748). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2021. The current portions of the lease liability and equipment loan are due within a year. The amount of the Company's remaining undiscounted contractual maturities for the lease liability and equipment loan is approximately \$57,827 (2020 - \$75,529) which are due between one to five years (note 12).

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, loan fixed interest rate risk, foreign currency risk and other price risk.

The Company is not exposed to significant interest rate risk, foreign currency risk or other price risk.

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**5. PROPERTY AND EQUIPMENT**

| <b>Cost</b>                     | <b>Computer<br/>Equipment and<br/>Software</b> | <b>Furniture and<br/>Equipment</b> | <b>Vehicles</b> | <b>Leasehold<br/>Improvements</b> | <b>Total</b> |
|---------------------------------|--|------------------------------------|-----------------|-----------------------------------|--------------|
| As at December 31, 2019         | \$ 10,843                                      | \$ 57,037                          | \$ 10,640       | \$ 23,391                         | \$ 101,911   |
| Additions during the year       | 38,350   | -                                  | 45,223          | 25,002                            | 108,575      |
| As at December 31, 2020         | 49,193   | 57,037                             | 55,863          | 48,393                            | 210,486      |
| Additions during the year       | -  | -                                  | 18,200          | -                                 | 18,200       |
| Disposals during the year       | -  | -                                  | (23,106)        | -                                 | (23,106)     |
| As at December 31, 2021         | \$ 49,193                                      | \$ 57,037                          | \$ 50,957       | \$ 48,393                         | \$ 205,580   |
| <b>Accumulated Amortization</b> |  |                                    |                 |                                   |              |
| As at December 31, 2019         | \$ 6,970                                       | \$ 8,464                           | \$ 1,596        | \$ 3,898                          | \$ 20,928    |
| Charge for the year             | 6,914  | 9,715                              | 9,497           | 16,131                            | 42,257       |
| As at December 31, 2020         | 13,884   | 18,179                             | 11,093          | 20,029                            | 63,185       |
| Charge for the year             | 10,593   | 7,772                              | 9,229           | 16,131                            | 43,725       |
| Disposals during the year       | -  | -                                  | (4,939)         | -                                 | (4,939)      |
| As at December 31, 2021         | \$ 24,477                                      | \$ 25,951                          | \$ 15,383       | \$ 36,160                         | \$ 101,971   |
| <b>Carrying Value</b>           |  |                                    |                 |                                   |              |
| As at December 31, 2020         | \$ 35,309                                      | \$ 38,858                          | \$ 44,770       | \$ 28,364                         | \$ 147,301   |
| As at December 31, 2021         | \$ 24,716                                      | \$ 31,086                          | \$ 35,574       | \$ 12,233                         | \$ 103,609   |

During the year ended December 31, 2020, the Company entered into a loan agreement for the purchase of equipment totaling \$42,899 payable over five years with an interest rate of 0%. During the year ended December 31, 2021, the Company disposed of equipment with a carrying value of \$18,167 subject to the loan agreement and paid off remaining balance of the loan.

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**5. PROPERTY AND EQUIPMENT (Continued)**

During the year ended December 31, 2021, the Company entered into a new loan agreement for the purchase of equipment for \$18,246 payable over four years with an interest rate of 0%. The current portion of the equipment loan is \$4,379. The loan is secured by the equipment purchased.

During the year ended December 31, 2021, \$32,701 (2020 - \$34,804) of amortization of property and equipment was capitalized to the Company's mineral properties.

**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITY**

During the year ended December 31, 2019, the Company entered into two lease agreements for a term of three years for storage facilities related to the Company's Shovelnose Gold Property in Merritt, British Columbia. These lease liabilities were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate of 10% per annum. Upon entering into the lease agreements, the Company recognized \$94,568 for a ROU asset and \$94,568 for a lease liability.

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**6. RIGHT-OF-USE ASSETS AND LEASE LIABILITY (Continued)**

During the year ended December 31, 2020, the Company entered into an additional lease agreement for a term of two years for building space associated with the Shovelnose Gold Property. Upon entering into the lease, the Company measured the present value of the lease payments using an incremental borrowing rate of 10% per annum and recognized \$101,854 for a ROU asset and \$101,854 for a lease liability. The Company also cancelled one lease for a storage facility.

| <b>Right-of-use assets</b>                                  |                   |
|---|-------------------|
| Value of right-of-use asset as at December 31, 2019         | \$ 85,047         |
| Additions   | 101,854           |
| Cancellation  | (23,309)          |
| Amortization  | (56,872)          |
| <b>Value of right-of-use assets as at December 31, 2020</b> | <b>\$ 106,720</b> |
| Additions   | -                 |
| Amortization  | (73,636)          |
| <b>Value of right-of-use assets as at December 31, 2021</b> | <b>\$33,084</b>   |
| <b>Lease liability</b>                                      |                   |
| Lease liability recognized as at December 31, 2019          | \$ 84,468         |
| Additions   | 101,854           |
| Cancellation  | (23,402)          |
| Lease payments  | (63,050)          |
| Lease interest  | 11,212            |
| <b>Lease liability recognized as at December 31, 2020</b>   | <b>111,082</b>    |
| Additions   | -                 |
| Lease payments  | (80,400)          |
| Lease interest  | 8,498             |
| <b>Lease liability recognized as at December 31, 2021</b>   | <b>\$ 39,180</b>  |
| Current portion   | \$ 39,180         |
| Non-current portion   | -                 |
|   | <b>\$ 39,180</b>  |

During the year ended December 31, 2021, \$73,636 (2020 - \$56,872) of amortization of ROU assets was capitalized to the Company's mineral properties.

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**7. MINERAL PROPERTIES**

Amounts capitalized as mineral property costs are as follows:

|                                   | <b>Shovelnose<br/>Gold<br/>Property</b> | <b>Prospect<br/>Valley<br/>Property</b> | <b>Skoonka<br/>Creek<br/>Property</b> | <b>Skoonka<br/>North<br/>Property</b> | <b>Total</b>        |
|-----------------------------------|---|---|---------------------------------------|---------------------------------------|---------------------|
| Balance, December 31, 2019        | \$ 6,898,632                            | \$ 684,090                              | \$ 258,836                            | \$ 99,252                             | \$ 7,940,810        |
| Deferred exploration costs        |   |   |                                       |                                       |                     |
| Acquisition costs                 | 80,946                                  | 1,822                                   | 707                                   | 326                                   | 83,801              |
| Geological and assays             | 2,314,254                               | 72,598                                  | 9,446                                 | -                                     | 2,396,298           |
| Drilling                          | 5,965,560                               | -                                       | 3,484                                 | -                                     | 5,969,044           |
| Lab fees                          | 1,063,867                               | -                                       | -                                     | -                                     | 1,063,867           |
| Share-based payments              | 464,559                                 | -                                       | -                                     | -                                     | 464,559             |
| Amortization                      | 91,676                                  | -                                       | -                                     | -                                     | 91,676              |
| Total additions during the year   | 9,980,862                               | 74,420                                  | 13,637                                | 326                                   | 10,069,245          |
| BCMETS (mining tax credits)       | (2,053,074)                             | (15,991)                                | (2,848)                               | -                                     | (2,071,913)         |
| Net change during the year        | 7,927,788                               | 58,429                                  | 10,789                                | 326                                   | 7,997,332           |
| <b>Balance, December 31, 2020</b> | <b>14,826,420</b>                       | <b>742,519</b>                          | <b>269,625</b>                        | <b>99,578</b>                         | <b>15,938,142</b>   |
| Deferred exploration costs        |   |   |                                       |                                       |                     |
| Acquisition costs                 | 285,038                                 | 2,160                                   | 1,410                                 | 504                                   | 289,112             |
| Geological and assays             | 2,007,549                               | 7,342                                   | 8,725                                 | 4,969                                 | 2,028,585           |
| Drilling                          | 6,169,749                               | -                                       | -                                     | -                                     | 6,169,749           |
| Lab fees                          | 1,248,243                               | -                                       | -                                     | -                                     | 1,248,243           |
| Share-based payments              | 535,981                                 | -                                       | -                                     | -                                     | 535,981             |
| Amortization                      | 106,337                                 | -                                       | -                                     | -                                     | 106,337             |
| Total additions during the year   | 10,352,897                              | 9,502                                   | 10,135                                | 5,473                                 | 10,378,007          |
| BCMETS (mining tax credits)       | (1,949,337)                             | -                                       | -                                     | -                                     | (1,949,337)         |
| Net change during the year        | 8,403,560                               | 9,502                                   | 10,135                                | 5,473                                 | 8,428,670           |
| <b>Balance, December 31, 2021</b> | <b>\$ 23,229,980</b>                    | <b>\$ 752,021</b>                       | <b>\$ 279,760</b>                     | <b>\$ 105,051</b>                     | <b>\$24,366,812</b> |

(a) Shovelnose Gold Property, British Columbia, Canada

In January 2011, the Company signed an option agreement (the "Shovelnose Agreement") with Strongbow Exploration Inc. ("Strongbow") whereby the Company can earn up to a 70% interest in the Shovelnose Gold Property, a mineral claim near Merritt, British Columbia, staked by Strongbow in 2005 and 2008. A director of the Company is also a director of Strongbow.

Under the terms of the Shovelnose Agreement, the Company would earn an initial 51% interest in the Shovelnose Gold Property by issuing a total of 300,000 common shares (issued) to Strongbow and incurring \$1,500,000 (\$750,000 incurred) in exploration expenditures on the property.



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**7. MINERAL PROPERTIES (Continued)**

(a) Shovelnose Gold Property, British Columbia, Canada (Continued)

On September 1, 2015, the Company entered into a new purchase agreement with Strongbow to acquire 100% of the Shovelnose Gold Property replacing the January 2011 agreement. Under the terms of the new agreement the Company acquired a 100% interest in the property by issuing 2,000,000 common shares (issued upon completion of the new agreement). In addition, Strongbow was granted a 2% net smelter returns royalty ("NSR") on the property. The Company will retain the right to reduce the NSR to 1% by paying Strongbow \$500,000 at any time prior to the commencement of commercial production.

The Company has a reclamation deposit of \$80,000 (2020 - \$80,000) held with the Ministry of Finance relating to exploration activities completed on the Shovelnose Gold Property.

(b) Prospect Valley Gold Property, British Columbia, Canada

On September 21, 2015, the Company entered into an option and purchase agreement with Green Battery Minerals Inc. ("Green Battery") to acquire a 70% interest in the Prospect Valley Gold Property near Merritt. The Company paid \$20,000 to Green Battery upon signing as per the terms of the agreement. On October 22, 2015, the Company exercised the option by making a second and final payment of \$80,000 and issued 500,000 common shares at a price of \$0.065 per share. The common shares have a hold period of five years.

On February 16, 2016, the Company acquired the remaining 30% interest in the property for a cash payment of \$40,000 and the issue of 500,000 common shares at a price of \$0.07 per share. The common shares have a hold period of five years.

(c) Skoonka Creek, British Columbia, Canada

On May 24, 2017, the Company signed a purchase agreement with Strongbow and Almadex Minerals Ltd. ("Almadex"), to acquire 100% interest in the Skoonka Creek gold property, located within the prospective Spences Bridge Gold Belt, British Columbia. Under the terms of the agreement, the Company issued 2,000,000 common shares (issued on May 30, 2017) at a price of \$0.09 per share. Almadex retains its original net smelter royalty of 2% from future production.

The Company has a reclamation deposit of \$20,000 (2020 - \$20,000) held with the Ministry of Finance relating to exploration activities completed on the Skoonka Creek property.

(d) Skoonka North Gold Property, British Columbia, Canada

In May 2018, the Company staked an additional gold mineral property, Skoonka North, within the Spences Bridge Gold Belt, British Columbia.

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**7. MINERAL PROPERTIES (Continued)**

**Realization**

The Company's investment in and expenditures on the mineral property interests comprise a substantial portion of the Company's assets. Realization of the Company's investment in the assets is dependent on establishing legal ownership of the property interests, on the attainment of successful commercial production or from the proceeds of its disposal. The recoverability of the amounts shown for the mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the property interests, and future profitable production or proceeds from the disposition thereof.

**Title and environmental**

Although the Company has taken steps to verify the title to mineral properties in which it has or had a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

**8. CAPITAL STOCK**

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

On March 3, 2021, the Company closed a bought deal financing (the "Offering") with Raymond James Ltd. (the "Underwriter"). Pursuant to the Offering, the Company issued 21,378,500 units of the Company, including 2,788,500 units issued in connection with the exercise in full of the over-allotment option granted to the Underwriter. The units were issued at \$0.70 per unit for gross proceeds of \$14,964,950. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at an exercise price of \$1.00 per share for a period of two years. \$1,496,495 of the gross proceeds were allocated to the warrants. The Company paid cash share issuance costs of \$1,170,279 in connection with the offering.

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**8. CAPITAL STOCK (Continued)**

(b) Issued and outstanding (Continued)

On June 16, 2020, the Company closed a bought deal private placement offering. The Company issued 5,447,700 flow-through shares at a price of \$0.95 per share for gross proceeds of \$5,175,315. The Company used the residual method to calculate the fair value of the tax deduction attached with the flow-through common shares and recorded a flow-through liability of \$980,586. The Company paid cash share issuance costs of \$321,354 in connection with the offering.

During the year ended December 31, 2020, the Company issued 2,425,000 shares on the exercise of stock options for total proceeds of \$233,000. At December 31, 2021, \$75,000 of this amount was included in other receivables and was received subsequent to December 31, 2020. In relation to the exercise, \$197,494 was transferred from options reserve to capital stock.

(c) Warrants

The following summarizes the Company's warrants as at December 31, 2021 and 2020 and changes during the year:

|   | December 31,<br>2021  |  | December 31,<br>2020  |  |
|---|-----------------------|--|-----------------------|--|
|   | Number of<br>Warrants | Weighted<br>Average<br>Exercise<br>Price | Number of<br>Warrants | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding and exercisable,<br>beginning of the year | 3,284,662             | \$ 1.50                                  | 3,284,662             | \$ 1.50                                  |
| Issued  | 10,689,250            | \$ 1.00                                  | -                     | -  |
| Expired   | (3,284,662)           | \$(1.50)                                 | -                     | -  |
| Outstanding and exercisable, end<br>of the year       | 10,689,250            | \$ 1.00                                  | 3,284,662             | \$ 1.50                                  |

As at December 31, 2021, the Company had warrants outstanding as follows:

| Expiry Date   | Exercise Price | Outstanding | Weighted<br>Average<br>Remaining<br>Contractual<br>Life (Years) |
|---------------|----------------|-------------|---|
| March 3, 2023 | \$1.00         | 10,689,250  | 1.17  |
|               |                | 10,689,250  |   |

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**8. CAPITAL STOCK (Continued)**

(c) Warrants (Continued)

As at December 31, 2020, the Company had warrants outstanding as follows:

| Expiry Date     | Exercise Price | Outstanding | Weighted Average Remaining Contractual Life (Years) |
|-----------------|----------------|-------------|---|
| October 2, 2021 | \$1.50         | 1,020,269   | 0.75  |
| October 4, 2021 | \$1.50         | 786,774     | 0.76  |
| October 8, 2021 | \$1.50         | 1,477,619   | 0.77  |
|                 |                | 3,284,662   |   |

(d) Stock options

The Company adopted a stock option plan whereby the number of options granted to one person shall not exceed 10% of the outstanding shares at the time of granting the options. If employment with the Company is terminated, other than through death, options not exercised will expire within 90 days after the termination date.

On November 29, 2021, the Company granted 400,000 stock options at an exercise price of \$0.50 per share. The options vested November 29, 2021 and expire November 29, 2026. Share-based payments of \$133,519 were charged to the statement of loss and comprehensive loss.

On April 22, 2021, the Company granted 2,315,000 stock options at an exercise price of \$0.70 per share. The options vested April 22, 2021 and expire April 22, 2026. Share-based payments totaled \$1,112,821. Share-based payments of \$576,840 were charged to the statement of loss and comprehensive loss and \$535,981 was capitalized to mineral properties.

On August 10, 2020, the Company granted 260,000 stock options at an exercise price of \$0.95 per share. The options vested August 10, 2020 and expire August 10, 2025. Share-based payments of \$179,036 were capitalized to mineral properties.

On May 20, 2020, the Company granted 475,000 stock options at an exercise price of \$0.80 per share. The options vested May 20, 2020 and expire May 20, 2025. Share-based payments of \$285,523 were capitalized to mineral properties.

During the year ended December 31, 2020, 2,425,000 options were exercised for total proceeds of \$233,000. \$197,494 was transferred from options reserve to capital stock. There were no options exercised during the year ended December 31, 2021.

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**8. CAPITAL STOCK (Continued)**

(d) Stock options (Continued)

The following summarizes the Company's stock options as at December 31, 2021 and 2020 and changes during the year.

|  | December 31,<br>2021    |  | December 31,<br>2020 |  |
|--|-------------------------|--|----------------------|--|
|  | Number<br>of<br>Options | Weighted<br>Average<br>Exercise<br>Price | Number of<br>Options | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding and<br>exercisable, beginning of<br>year | 7,230,589               | \$ 0.77                                  | 8,920,589            | \$ 0.58                                  |
| Granted  | 2,715,000               | \$ 0.67                                  | 735,000              | \$ 0.85                                  |
| Exercised  | -                       | -  | (2,425,000)          | \$ 0.10                                  |
| Outstanding and<br>exercisable, end of year          | 9,945,589               | \$ 0.74                                  | 7,230,589            | \$ 0.77                                  |

As at December 31, 2021 the Company had options outstanding as follows:

| Expiry Date       | Exercise<br>Price | Outstanding | Weighted Average<br>Remaining<br>Contractual Life<br>(Years) |
|-------------------|-------------------|-------------|--|
| April 13, 2022    | \$ 0.10           | 1,050,000   | 0.28   |
| March 21, 2023    | \$ 0.14           | 1,095,589   | 1.22   |
| November 14, 2023 | \$1.20            | 2,900,000   | 1.87   |
| July 8, 2024      | \$0.70            | 200,000     | 2.52   |
| December 23, 2024 | \$0.85            | 1,250,000   | 2.98   |
| May 20, 2025      | \$0.80            | 475,000     | 3.39   |
| August 10, 2025   | \$0.95            | 260,000     | 3.61   |
| April 22, 2026    | \$0.70            | 2,315,000   | 4.31   |
| November 29, 2026 | \$0.50            | 400,000     | 4.92   |
|                   |                   | 9,945,589   | 2.59   |

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**8. CAPITAL STOCK (Continued)**

(d) Stock options (Continued)

As at December 31, 2020, the Company had options outstanding as follows:

| Expiry Date       | Exercise Price | Outstanding | Weighted Average Remaining Contractual Life (Years) |
|-------------------|----------------|-------------|---|
| April 13, 2022    | \$ 0.10        | 1,050,000   | 1.28  |
| March 21, 2023    | \$ 0.14        | 1,095,589   | 2.22  |
| November 14, 2023 | \$1.20         | 2,900,000   | 2.87  |
| July 8, 2024      | \$0.70         | 200,000     | 3.52  |
| December 23, 2024 | \$0.85         | 1,250,000   | 3.98  |
| May 20, 2025      | \$0.80         | 475,000     | 4.39  |
| August 10, 2025   | \$0.95         | 260,000     | 4.61  |
|                   |                | 7,230,589   | 2.91  |

The fair value of options granted during the years ended December 31, 2021 and 2020 were vested immediately and were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
| Expected life (years)                       | 5                 | 5                 |
| Interest rate                               | 1.00%             | 0.40%             |
| Volatility                                  | 96%               | 103%              |
| Dividend yield                              | 0%                | 0%                |
| Forfeiture rate                             | 0%                | 0%                |
| Market value of common shares at grant date | \$0.64            | \$0.84            |
| Fair value                                  | \$0.50            | \$0.63            |

Volatility has been calculated based on the historical volatility of the Company. Interest rates represent rates from the Bank of Canada on bonds with a similar term. The dividend yield represents the expected dividends to be paid by the Company.

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**9. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties in addition to those discussed elsewhere in the financial statements.

Key management compensation

Short-term employee benefits for key management compensation were paid to individuals and personal service corporations as follows:

|  | <b>2021</b>       | <b>2020</b>       |
|--|-------------------|-------------------|
| Gareth Thomas                            | \$ 226,677        | \$ 180,000        |
| Shaun Pollard                            | 226,677           | 180,000           |
| <b>Total key management compensation</b> | <b>\$ 453,354</b> | <b>\$ 360,000</b> |

Share-based payment expense allocated to key management and directors during the year ended December 31, 2021 was \$494,044 (2020 - \$nil).

- (a) Gareth Thomas is the Chief Executive Officer of the Company.
- (b) Shaun Pollard is the Chief Financial Officer of the Company.
- (c) In addition to the above costs, the Company paid \$68,453 (2020 - \$65,317) of rent and office expenditures to Anglo Celtic Exploration Ltd. ("Anglo"). Anglo is a company controlled by Grenville Thomas, a director of the Company, and Gareth Thomas.

At December 31, 2021, a total of \$17,969 (2020 - \$37,707) due to Anglo is included in accounts payable and accrued liabilities. The amounts are non-interest bearing and subject to normal trade terms.

**10. INCOME TAXES**

Income tax expense differs from the amounts that would be computed by applying the Canadian statutory income tax rate of 27% (2020 - 27%) to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

|  | <b>2021</b>    | <b>2020</b>  |
|--|----------------|--------------|
| Net loss for the year                          | \$ (2,049,316) | \$ (949,643) |
| Statutory income tax rate                      | 27%            | 27%          |
| Income tax recovery at Canadian statutory rate | (553,315)      | (256,404)    |
| Temporary differences                          | 380,377        | 249,666      |
| Non-deductible amounts                         | 192,883        | 1,481        |
| Unused tax losses and tax offsets              | (19,945)       | 5,257        |
| <b>Total income tax recovery</b>               | <b>\$ -</b>    | <b>\$ -</b>  |



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**10. INCOME TAXES (Continued)**

The significant components of deferred tax assets and liabilities recognized as of December 31 are as follows:

|  | <b>2021</b>  | <b>2020</b> |
|--|--------------|-------------|
| Deferred income tax asset from non-capital losses                    | \$ 1,834,107 | \$ 923,318  |
| Deferred income tax asset from property and equipment                | 44,281       | -           |
| Deferred income tax asset from share issuance costs                  | 366,535      | -           |
| Deferred income tax asset from non-refundable investment tax credits | 52,258       | -           |
| Deferred income tax asset from lease liability                       | 10,579       | -           |
| Deferred income tax liability from resource properties               | (2,136,385)  | (609,532)   |
| Deferred income tax liability from property and equipment            | -            | (20,214)    |
| Deferred income tax liability from flow-through shares               | (162,443)    | (264,758)   |
| Deferred income tax liability from right-of-use assets               | (8,932)      | (28,814)    |
| <b>Net deferred income tax assets</b>                                | <b>\$ -</b>  | <b>\$ -</b> |

The significant components of the Company's unrecognized deferred income tax assets as at December 31 are as follows:

|  | <b>2021</b> | <b>2020</b>       |
|--|-------------|-------------------|
| Non-capital losses                                   | \$ -        | \$ 286,340        |
| Property and equipment                               | -           | -                 |
| Share issuance costs                                 | -           | 156,147           |
| Non-refundable investment tax credits                | -           | 52,258            |
| Lease liability                                      | -           | 29,992            |
| <b>Unrecognized deductible temporary differences</b> | <b>\$ -</b> | <b>\$ 524,737</b> |

The Company recognizes tax benefits on losses or other deductible amounts where it is probable the Company will generate taxable income to utilize its deferred tax assets.

The Company is eligible for British Columbia mining exploration tax credits ("BCMETS"), based on qualified mineral exploration expenditures incurred for determining the existence, location, and extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred to the extent such expenditures are not renounced or committed with respect to issued flow-through shares, if any. The filing for the BCMETS is subject to an assessment process, which may include an audit by the taxation authorities. The amount ultimately recoverable may be different from the amount claimed.

During the year ended December 31, 2021, the Company received an aggregate refund of \$1,981,250 (2020 - \$1,436,750) related to BCMETS previously filed claims attributable to qualified mining exploration expenses incurred on its mineral properties.

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**10. INCOME TAXES (Continued)**

The Company has available losses that may be carried forward to apply against future years' income for tax purposes. The approximate losses expire as follows:

| Available to | Amount              |
|--------------|---------------------|
| 2030         | \$ 73,000           |
| 2031         | 181,000             |
| 2032         | 282,000             |
| 2033         | 206,000             |
| 2034         | 256,000             |
| 2035         | 233,000             |
| 2036         | 307,000             |
| 2037         | 326,000             |
| 2038         | 432,000             |
| 2039         | 1,061,000           |
| 2040         | 1,633,000           |
| 2040         | 1,705,000           |
|              | <b>\$ 6,695,000</b> |

**11. CAPITAL MANAGEMENT**

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it 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 properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

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**12. COMMITMENTS**

On December 12, 2019, the Company entered into a three-year lease for building space associated with the Shovelnose project. On June 2, 2020, the Company entered an additional two-year lease for building space. Under the terms of the leases the Company is committed to annual lease payments totaling \$143,000 plus additional occupancy costs.

During the year ended December 31, 2021, the Company entered into a loan to purchase equipment. The Company is committed to payments of \$365 per month over the next 42 months.

On June 16, 2020, the Company issued flow-through shares which require the Company to incur further eligible expenditures of \$5,175,315 within 24 months. Up to December 31, 2021, the Company allocated \$2,000,000 of qualifying expenditures in satisfaction of its obligation and recognized flow through share premium income of \$378,947.

As of December 31, 2019, the Company was committed to expend \$2,500,151 of flow-through share proceeds related to flow-through shares issued during the year ended December 31, 2019 on qualifying exploration expenditures. The Company must incur the eligible expenditures within 24 months from issuing the flow-through shares. During the year ended December 31, 2020, the Company incurred \$2,500,151 on qualifying expenditures in satisfaction of its obligation under flow-through shares issued in 2019 and recognized flow-through share premium income of \$358,741.

**13. SEGMENTED REPORTING**

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities. The Company's long-term assets are in Canada.