

**RENFORTH RESOURCES INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**(Expressed in Canadian Dollars)**

*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Renforth Resources Inc.

### **Opinion**

We have audited the financial statements of Renforth Resources Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2021, December 31, 2020 and January 1, 2020, and the statements of (loss) income and comprehensive (loss) income, statements of cash flows and statements of changes in equity for the years ended December 31, 2021 and 2020, and 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, December 31, 2020 and January 1, 2020 and its financial performance and its cash flows for the years ended December 31, 2021 and 2020 in accordance with International Financial Reporting Standards ("IFRS").

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

### **Other information**

Management is responsible for the other information. The other information comprises 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 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 auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management and those charged with governance for the 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 cease operations, or has no realistic alternative but to do so.

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

## **Auditor's responsibilities for the audit of the 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 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 judgement 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 risks 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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 27, 2022

**RENFORTH RESOURCES INC.****Statements of Financial Position**

(Expressed in Canadian dollars)

	As at December 31, 2021	As at December 31, 2020 (note 14)	As at January 1, 2020 (note 14)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 1,591,431	\$ 2,634,013	\$ 885,758
Marketable securities (note 5)	2,864,286	4,080,000	-
Sales tax and refundable tax credits receivable	154,710	204,426	120,069
Prepaid expenses and deposits	42,693	119,940	91,386
Total current assets	4,653,120	7,038,379	1,097,213
Tax credits receivable	-	-	98,000
<b>TOTAL ASSETS</b>	<b>\$ 4,653,120</b>	<b>\$ 7,038,379</b>	<b>\$ 1,195,213</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (note 7)	\$ 489,960	\$ 357,933	\$ 305,361
Flow through share premium (note 8(b))	268,008	1,740,194	270,986
Total liabilities	757,968	2,098,127	576,347
<b>Equity</b>			
Share capital (note 8 (b))	21,289,414	19,346,936	16,843,160
Warrant reserve (note 8 (c))	402,491	783,412	979,970
Contributed surplus	4,399,909	3,586,177	2,937,150
Accumulated deficit	(22,196,662)	(18,776,273)	(20,141,414)
Total equity	3,895,152	4,940,252	618,866
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 4,653,120</b>	<b>\$ 7,038,379</b>	<b>\$ 1,195,213</b>

**Going concern (note 1)****Commitments and contingencies (notes 6 and 11)***The accompanying notes are an integral part of these financial statements.*

Approved by the Board

Signed:

“Nicole Brewster”, Director

Signed:

“Wally Rudensky”, Director

**RENFORTH RESOURCES INC.**

**Statements of (Loss) Income and Comprehensive (Loss) Income**

For the years ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

	2021	2020
		(note 14)
<b>Expenses</b>		
General and corporate (notes 7 and 13)	\$ 986,873	\$ 952,036
Share-based payments (note 8(d))	463,200	112,100
Exploration expenditures (notes 6)	2,619,779	2,421,708
<b>Loss before other items</b>	<b>\$(4,069,852)</b>	<b>\$ (3,485,844)</b>
<b>Other items</b>		
Flow through share premium	1,740,194	270,985
Gain on sale of property (note 6)	171,213	4,340,000
Change in fair value of marketable securities (note 5)	(1,261,944)	240,000
<b>Net (loss) income and comprehensive (loss) income for the year</b>	<b>\$(3,420,389)</b>	<b>\$ 1,365,141</b>
<b>Basic (loss) income per share (note 9)</b>	<b>\$ (0.01)</b>	<b>\$ 0.01</b>
<b>Diluted (loss) income per share (note 9)</b>	<b>\$ (0.01)</b>	<b>\$ 0.00</b>

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

**RENFORTH RESOURCES INC.****Statements of Cash Flows**

For the years ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

	2021	2020
		(note 14)
<b>Cash flow from operating activities</b>		
Net (loss) income for the year	\$ (3,420,389)	\$ 1,365,141
Items not affecting cash:		
Share based payments	463,200	112,100
Shares issued for services and for exploration assets	23,730	280,000
Change in fair value of marketable securities	1,261,944	(240,000)
Gain on sale of property	(46,230)	(3,840,000)
Flow through share premium	(1,740,194)	(270,985)
Changes in non-cash working capital:		
Sales tax and refundable tax credits receivable	49,716	13,643
Accounts payable and accrued liabilities	297,027	236,876
Prepaid expenses and deposits	77,247	(28,554)
<b>Total cash flows (used in) operating activities</b>	<b>(3,033,949)</b>	<b>(2,371,779)</b>
<b>Cash flow from financing activities</b>		
Issue of units	1,576,259	4,185,050
Exercise of warrants	401,608	-
Exercise of stock options	79,500	-
Share issue costs	(66,000)	(65,016)
<b>Total cash flows from financing activities</b>	<b>1,991,367</b>	<b>4,120,034</b>
<b>(Decrease) increase in cash</b>	<b>(1,042,582)</b>	<b>1,748,255</b>
<b>Cash, beginning of year</b>	<b>2,634,013</b>	<b>885,758</b>
<b>Cash, end of year</b>	<b>\$ 1,591,431</b>	<b>\$ 2,634,013</b>

*Supplemental information (note 12)**The accompanying notes are an integral part of these financial statements.*

**RENFORTH RESOURCES INC.**
**Statements of Changes in Equity**

For the years ended December 31, 2021 and December 31, 2020

(Expressed in Canadian dollars)

	Share capital	Share capital	Contributed surplus	Warrant reserve	Deficit	Total
	#	\$	\$	\$	\$	\$
<b>Balance, December 31, 2019</b>	205,771,167	16,843,160	2,937,150	979,970	(20,141,414)	618,866
Share based payments	-	-	112,100	-	-	112,100
Gain on settlement of debt	-	-	53,790	-	-	53,790
Shares issued on property agreements	4,000,000	280,000	-	-	-	280,000
Shares issued under private placement	41,796,503	4,185,050	-	-	-	4,185,050
Valuation of warrants issued under private placement	-	(292,063)	-	292,063	-	-
Share issue costs	-	(52,760)	-	(12,256)	-	(65,016)
Broker warrants	-	(6,772)	-	6,772	-	-
Shares issued to settle debt	3,729,000	130,515	-	-	-	130,515
Flow through share premium	-	(1,740,194)	-	-	-	(1,740,194)
Expiry of warrants	-	-	483,137	(483,137)	-	-
Net income and comprehensive income for the year	-	-	-	-	1,365,141	1,365,141
<b>Balance December 31, 2020</b>	255,296,670	19,346,936	3,586,177	783,412	(18,776,273)	4,940,252
<b>Balance, December 31, 2020</b>	255,296,670	19,346,936	3,586,177	783,412	(18,776,273)	4,940,252
Share based payments	-	-	463,200	-	-	463,200
Units issued for private placement	15,764,000	1,461,235	-	115,024	-	1,576,259
Issue costs	-	(69,088)	-	3,088	-	(66,000)
Flow through share premium	-	(268,008)	-	-	-	(268,008)
Shares issued for consulting services	279,176	23,730	-	-	-	23,730
Shares issued to settle debt	2,062,500	165,000	-	-	-	165,000
Exercise of warrants	5,414,500	495,309	-	(93,701)	-	401,608
Exercise of options	1,350,000	134,300	(54,800)	-	-	79,500
Expiry of warrants	-	-	405,332	(405,332)	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(3,420,389)	(3,420,389)
<b>Balance December 31, 2021</b>	280,166,846	21,289,414	4,399,909	402,491	(22,196,662)	3,895,152

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



## **RENFORTH RESOURCES INC.**

### **Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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

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### **Nature of business**

Renforth Resources Inc. (the “Company” or “Renforth”), was incorporated in Canada under the Business Corporations Act (Ontario) and carries on business in one segment, being the acquisition, exploration and development of mineral properties in Canada. The Company’s registered and head office is located at Unit 1B 955 Brock Road, Pickering, Ontario.

These financial statements were approved by the board on April 27, 2022.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of amounts spent on exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, social licensing requirements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties.

### **Going concern assumption**

These financial statements are prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Such adjustments could be material. The Company has incurred a net loss of \$3,420,389 for the year ended December 31, 2021 (2020 – net income of \$1,365,141) and has an accumulated deficit of \$22,196,662 (December 31, 2020 - \$18,776,273) and a working capital surplus of \$3,895,152 (December 31, 2020 –\$4,940,252) as at December 31, 2021.

The recoverability of the costs incurred to date on exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

## **RENFORTH RESOURCES INC.**

### **Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE**

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### **Basis of presentation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("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. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective for the Company's reporting date.

### **Functional currency**

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

### **Critical judgments and estimation uncertainties**

The preparation of financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## **RENFORTH RESOURCES INC.**

### **Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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## **2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)**

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- Contingences (note 11)

- Valuation of the refundable mining duties credit and the refundable tax credit for resources

The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessments and payments has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources, and the income tax expense in future periods.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

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### **Exploration and evaluation assets**

Exploration and evaluation expenditures are costs incurred in the course of the initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Exploration expenditures are the costs incurred in the initial search for mineral deposits with economic potential, including acquisition costs. Exploration expenditures typically include costs associated with prospecting, sampling, mapping, diamond drilling and other work involved in searching for ore. All exploration expenditures are expensed as incurred.

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures incurred subsequent to this date related to development and construction are capitalized as construction-in-process and classified as a component of property, plant and equipment.

Mining properties and process facility assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of mine.

### **Quebec refundable tax credit and refundable mining duty**

The Company is entitled to a credit on duties refundable under the Mining Duties Act. This credit on duties on exploration costs incurred in the Province of Quebec has been recognized as a reduction to exploration expenditures in the statement of loss.

Furthermore, the Company is entitled to a refundable tax credit on qualified expenditures incurred. The refundable tax credit for exploration expenditures is 28% of qualified expenditures incurred.

The Company estimates the benefits to be recognized from refundable tax credits relating to qualified expenditures incurred. These receivables are recognized to the extent that it is probable that the Company has met all eligibility requirements for the expenditures in the period they are incurred. The Company presents these credits as a reduction to exploration expenses in the statement of loss.

## **RENFORTH RESOURCES INC.**

### **Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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#### **Decommissioning, restoration and environmental rehabilitation**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

As at December 31, 2021 and 2020, the Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

#### **Income taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not-deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the 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.

#### **Flow-through shares**

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the price of a non-flow through share and the amount the investor pays for the flow-through share. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Company files the appropriate renunciation forms with the Canadian taxation authorities.

## **RENFORTH RESOURCES INC.**

### **Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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A deferred tax liability is recognized, in accordance with IAS 12, *Income Taxes*, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

The Company indemnifies subscribers of flow-through shares for any tax related amounts that become due as a result of the Company not meeting its flow-through share related obligations.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and balances with banks and short term deposits with original maturities of three months or less. The deposits are held in a Canadian chartered bank or financial institution.

#### **Income (Loss) per share**

Basic income (loss) per share is calculated using the weighted average number of shares outstanding. Diluted income (loss) per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation.

During the year ended December 31, 2021, all issued and outstanding warrants and options were anti-dilutive and were excluded from the diluted income (loss) per share calculations. Refer to note 9 for details of the diluted earnings per share for the year ended December 31, 2020.

#### **Share-based payments**

The Company has a stock option plan (the "Plan") which is discussed in note 8(d). The Company uses the fair value-based method of accounting for stock-based compensation arrangements. The fair value of each option granted is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model at the date of grant, with the related increase to contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### **Foreign currency translation**

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At each financial position reporting date, monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in net loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

#### **Share issue costs**

Costs incurred for the issue of common shares are deducted from share capital.

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### Financial Instruments

Financial assets

##### *Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

##### *Subsequent measurement – financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of loss.

##### *Subsequent measurement – Financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company’s marketable securities are measured at FVPL.

##### *Subsequent measurement – Financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of loss when the right to receive payments is established.

##### *Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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#### *Impairment of financial assets*

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

##### *Subsequent measurement – financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the statements of loss.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

##### *Fair Value Hierarchy*

The Company has a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Company's financial instruments. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. Marketable securities are recognized as level 1.

#### **Recent accounting pronouncements and accounting policy change**

Various IFRS standards, interpretations, amendments and improvements of existing standards have been recently announced which will apply for future periods. These included IAS 1 and IAS 37. These new standards and changes are not expected to have any material impact on the Company's financial statements.

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting policies applied in the preparation of the financial statements are consistent with those followed in the preparation of the Company's December 31, 2021 annual financial statements, except as in note 14.

#### 4. CAPITAL MANAGEMENT

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 capital of the Company consists of share capital, warrants and contributed surplus. 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 and evaluation 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. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2021 and 2020.

The Company is not subject to any externally imposed capital requirements.

#### 5. MARKETABLE SECURITIES

During the year ended December 31, 2020, the Company received 12 million class A common shares of Radisson Mining Resources Inc. as part of the sale of the New Alger Project (note 6), with a market value of \$3,840,000 on the date of sale, based on the quoted market price of the shares on the date of the sale. The fair market value of the shares on December 31, 2021 was \$2,820,000 (December 31, 2020 - \$4,080,000) resulting in an unrealized loss of \$1,260,000 for the year ended December 31, 2021 (2020 – unrealized gain \$240,000).

On July 28, 2021, the Company received 21,603 common shares of O3 Mining Inc. as part of the sale of the Denain/Pershing Project (note 6), with a market value of \$46,230 on the date of sale, based on the quoted market price of the shares on the date of sale. The fair market value of the shares on December 31, 2021 was \$44,286 resulting in an unrealized loss of \$1,944 for the year ended December 31, 2021.

#### 6. EXPLORATION AND EVALUATION EXPENDITURES

	2021	2020	Cumulative
Parbec	\$ 1,052,025	\$ 1,227,874	\$ 5,681,832
New Alger (sold in 2020)	-	826,298	-
Nixon Bartelman	-	672	160,343
Malartic West/Surimeau	1,625,900	136,864	1,917,214
Denain (sold in 2021)	9,375	(50,000)	-
Quebec mining tax refund	(67,521)	-	(67,521)
Bousquet	-	280,000	280,000
	\$ 2,619,779	\$ 2,421,708	\$ 7,971,868



## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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#### 6. EXPLORATION AND EVALUATION ASSETS (continued)

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##### New Alger Gold Project

On August 31, 2020, the Company sold its 100% interest in the New Alger project to Radisson Mining Resources Inc. for the following consideration:

- 12 million class A common shares of Radisson issued to Renforth at closing of the transaction;
- \$0.5 million in cash paid at closing of the transaction;
- a \$1.5 million cash contingent payment, payable on the earlier of the announcement of commercial production at New Alger, a sale of New Alger for more than \$40 million or a change of control of Radisson.

##### Nixon Bartleman Property

On August 4, 2014, Renforth entered into an option agreement to earn a 55% interest in the Nixon-Bartleman Property located in the West Timmins Mining Area, in the western part of the Porcupine Mining Camp.

On April 28, 2016, Renforth negotiated a 100% purchase of the Nixon Bartleman property, subject to a pre-existing 2% NSR, for total consideration of 3 million shares of Renforth and the issuance of an additional 0.5% NSR to the vendor. This purchase replaces the prior option held on the property.

##### Parbec Gold Project

On January 29, 2015, the Company entered into a letter of intent to acquire 100% of the Parbec Gold Property ("Parbec") from Globex Mining Enterprises Inc. ("Globex") under the following terms.

- 1) over 4 years make cash payments totaling \$550,000 (\$25,000 within 6 months of signing (paid), \$50,000 within 12 months (paid), \$25,000 within 18 months (paid), \$125,000 within 24 months (paid), \$125,000 within 36 months (paid), and \$200,000 (paid) within 48 months);
- 2) over 4 years incur \$4,000,000 in work costs on the property (\$350,000 in year one, \$500,000 by the end of year two, \$1,150,000 by the end of year three, and \$2,000,000 by the end of year four);
- 3) over 4 years issue a total of 2,000,000 shares to Globex (250,000 on signing (issued), 500,000 before the end of year one (issued), 500,000 before the end of year two (issued), 500,000 before the end of year three (issued), 250,000 before the end of year four (issued). The fair value of the shares issued was estimated based on the quoted market price of the shares on the date of issuance.
- 4) Globex retains a gross metal royalty on the property of between 1% and 2% (percentage calculated in relationship to the prevailing price of gold at the time of delivery).

On November 13, 2018, the Company signed an amendment to the Parbec agreement whereby the \$4,000,000 in exploration work requirement on the property be extended from January 29, 2019 to January 29, 2020 for the following consideration:

- 1) Renforth shall issue Globex 2,500,000 (issued) common shares on signing the agreement; The fair value of the shares issued was estimated based on the quoted market price of the shares on the date of issuance;
- 2) Renforth issued Globex an additional 2,500,000 common shares by January 29, 2020. These have been presented as shares to be issued on the statement of financial position at December 31, 2018. The fair value of the shares to be issued was estimated at \$50,000 based on the quoted market-price of the shares on the date of the amendment to the agreement;
- 3) Renforth shall register a 1% NSR in Globex's favour against the Company's New Alger project.

## **RENFORTH RESOURCES INC.**

### **Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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#### **6. EXPLORATION AND EVALUATION ASSETS (continued)**

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In March 2019, Renforth acquired 100% ownership interest in the Parbec Gold Project for the following consideration:

- An additional 1% Gross Metal Royalty on the Parbec Project,
- 5,000,000 shares from Treasury (issued March 27, 2019 along with the 2,500,000 for the original extension agreement (above). Should Renforth consolidate its shares in the next 4 years Globex will receive an additional 1,500,000 shares post-consolidation,
- Upon the commencement of commercial mining at Parbec a one-time payment shall be made to Globex of \$1,000,000, adjusted for inflation and subject to the deduction of any advance royalty payments made (a \$50,000 annual advance royalty payment commencing in 2023). In consideration of these payments Globex shall grant to Renforth a one-time right of first refusal on the sale of all or any part of Globex's GMR.

##### **Surimeau/Malartic West**

On November 6, 2015, the Company acquired 100% of the Malartic West Property. The Malartic West Property, acquired from Knick Exploration for total consideration of 4,000,000 shares of Renforth, is located west of Renforth's Parbec Property, contiguous to the Canadian Malartic Mine property. The property is subject to a 2% NSR and a 2% gross overriding receipts royalty on all diamonds extracted. There is a right to buy back 1% of the royalty for \$1,000,000.

On November 27, 2015, the Company acquired additional claims adjacent to, and also named, the Malartic West Property for total consideration of 2,000,000 shares of Renforth and 2,000,000 common share purchase warrants exercisable for a period of 2 years at a price of \$0.05. The fair value of the shares issued was estimated based on the quoted market price of the shares on the date of issuance

##### **Denain Gold Project**

In March 2017, the Company acquired the Denain Gold Project, located on the Cadillac Break. The project is comprised of 145 claims. The claims were acquired for 3,750,000 shares of Renforth to be issued from treasury for a 100% interest in 101 claims and an 80% interest in 44 of the claims where the arm's-length vendor only holds an 80% interest in such claims. The vendor will retain a 2% NSR on the claims, half of which (1% of the 2%) can be purchased by Renforth for \$500,000.

On July 7, 2017, Renforth acquired the Pershing claim block from two vendors, the total consideration paid is \$27,000 cash and the issuance of 1,250,000 shares. The shares issued are restricted for four months from the date of issue. One vendor retains a 2% NSR on 36 of the purchased claims, with Renforth able to buyback half of the NSR (1% NSR) for \$1,000,000 for a period of 10 years. The other vendor retains a 2% Gross Metal Royalty on 3 of the claims.

In May 2018, Renforth granted Chalice Gold Mines Limited ("Chalice") an earn-in option. In order to earn an 80% interest in the Denain-Pershing Property, over a 3-year period, Chalice will make payments to Renforth totaling \$200,000 (\$50,000 of which was paid in 2018, \$50,000 in 2019, and \$50,000 in 2020) and spend \$1,250,000 in work on the property. Once Chalice has earned their interest, a 80/20 joint venture will be formed between Chalice and Renforth.

In July 2021, O3 Mining Inc. ("O3") fulfilled the conditions of the option agreement to earn-in an 80% ownership interest in the Property and on July 7, 2021, acquired the remaining 20% interest in the Property from Renforth.

Total consideration received by Renforth from O3 pursuant to the fulfillment of the option agreement and the purchase of the residual interest in the property consists of \$125,000 and \$50,000 worth of O3 common shares. Renforth received 21,603 common shares of O3, based on the average trading price of O3 shares the previous 30 days. The fair market value of the shares on the date received was \$46,230.

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

#### 6. EXPLORATION AND EVALUATION ASSETS (continued)

##### Bousquet

On November 11, 2020, the Company acquired the Bousquet property (located in the Quebec-Cadillac camp) by the issuance of 4,000,000 common shares. At the date of issuance, the shares had a market value of \$280,000, based on the quoted market price of the Company's shares on the date of issuance.

#### 7. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Compensation of key management personnel

Key management includes members of the board of directors, the President and Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for years ended December 31, 2021 and December 31, 2020:

	2021	2020
Salary or other short-term benefits	\$ 180,000	\$ 180,000
Share based payments issued	369,200	66,500
	<b>\$ 549,200</b>	<b>\$ 246,500</b>

(b) Other related party balances and transactions

The Company engages Minroc Management Limited ("Minroc"), a geological consulting company, to manage the Company's exploration programs. The Company's CEO, Nicole Brewster, is a controlling shareholder of Minroc. For the year ended December 31, 2021, the Company was charged \$2,044,715 (2020 - \$2,077,537) in exploration related expenditures, and \$120,000 (2020 - \$120,000) in management fees for the CEO, of which \$90,000 (2020 - \$90,000) was recorded as exploration expenditures and \$30,000 (2020 - \$30,000) was charged to general and corporate expense on the statement of loss. The Company also rents office space from Minroc and was charged \$12,150 in 2021 (2020 - \$16,200). As at December 31, 2021, there was \$90,000 (December 31, 2020 - \$80,000) in accrued management fees due to Minroc. This amount is unsecured, non-interest bearing with no fixed terms of repayment. On April 15, 2021, the Company settled debt with Minroc in the amount of \$110,000 by the issuance of 1,375,000 common shares. On May 6, 2020, the Company settled debt with Minroc in the amount of \$124,300 by the issuance of 2,486,000 common shares. The shares had a market value of \$87,010, and therefore resulted in a gain on settlement of \$37,290. The gain was recognized in contributed surplus.

During the year ended December 31, 2021, the Company was charged \$60,000 (2020 - \$60,000) in management fees by a corporation owned by the CFO of the Company, for CFO services. As at December 31, 2021, \$50,850 (December 31, 2020 - \$45,200) was owing to this corporation and included in accounts payable. This amount is unsecured, non-interest bearing with no fixed terms of repayment. On April 15, 2021, the Company settled debt with CFO in the amount of \$55,000 by the issuance of 687,500 common shares. On May 6, 2020, the Company settled debt with CFO in the amount of \$62,150 by the issuance of 1,243,000 common shares. The shares had a market value of \$43,505, and therefore resulted in a gain on settlement of \$18,645. The gain was recognized in contributed surplus.

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

#### 8. SHARE CAPITAL

##### a) Shares authorized

The Company is authorized to issue an unlimited number of preferred and common shares without nominal or par value. No preferred shares have been issued.

##### b) Common shares issued and outstanding

Details of shares issued and outstanding are as follows:

	Shares	Amount
<b>Balance December 31, 2019</b>	<b>205,771,167</b>	<b>\$ 16,843,160</b>
Shares issued for settlement of debt (i)	3,729,000	130,515
Shares issued under private placement (ii)	41,796,503	4,185,050
Valuation of warrants (ii)	-	(292,063)
Flow through share premium	-	(1,740,194)
Share issue costs – cash (ii)	-	(52,760)
Share issue costs – warrants (ii)	-	(6,772)
Shares issued for Bousquet property acquisition (note 6)	4,000,000	280,000
<b>Balance December 31, 2020</b>	<b>255,296,670</b>	<b>19,346,936</b>
Shares issued for settlement of debt (i)	2,062,500	165,000
Exercise of stock options	1,350,000	134,300
Exercise of warrants	5,414,500	495,309
Shares for consulting services	279,176	23,730
Shares issued under private placement (ii)	15,764,000	1,576,259
Valuation of warrants (ii)	-	(115,024)
Flow through share premium (ii)	-	(268,008)
Share issue costs – cash (ii)	-	(59,465)
Share issue costs – warrants (ii)	-	(9,623)
<b>Balance December 31, 2021</b>	<b>280,166,846</b>	<b>\$ 21,289,414</b>

- (i) On May 6, 2020, the Company settled debt in the amount of \$186,450 associated with services rendered to Renforth by the President and CEO and the CFO. A total of 3,729,000 shares were issued to discharge this debt in full. The shares had a fair market value on the date of issuance of \$130,515. See note 7. The difference was accounted for as a gain on settlement and recognized in contributed surplus.

On April 15, 2021, the Company settled debt in the amount of \$165,000 associated with services rendered to Renforth by the President and CEO and the CFO. A total of 2,062,500 shares were issued to discharge this debt in full. The shares had a fair market value on the date of issuance of \$165,000. See note 7.

- (ii) On June 30, 2020, the Company closed a private placement with proceeds of \$238,000 raised through the issuance of the issuance of 100,000 common units at \$0.05 per unit and 4,236,372 flow-through units at \$0.055 per flow through unit. Each common unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable for 24 months for one common share at \$0.07. Each flow through unit consisted of one flow through common share and one common share purchase warrant. Each warrant issued with the flow through units is exercisable for 24 months at \$0.075 per common share. The warrants were assigned a value of \$70,496, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.28%; expected volatility of 130%; expected dividend yield of 0% and an expected life of 2 years. In connection with the offering, the Company paid cash commissions of \$14,000 and issued 254,545 compensation warrants with a value of \$995. Compensation warrants were valued using the same assumptions as the warrants.

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

#### 8. SHARE CAPITAL (continued)

On July 23, 2020, the Company closed a private placement with proceeds of \$207,500 raised through the issuance of the issuance of 1,400,000 common units at \$0.05 per unit and 2,500,000 flow through units at \$0.055 per flow through unit. The terms of the financing are the same as those from the June 30, 2020 financing. The warrants were assigned a value of \$63,998, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.28%; expected volatility of 130%; expected dividend yield of 0% and an expected life of 2 years. In connection with the offering, the Company paid cash commissions of \$10,080 and issued 192,000 compensation warrants with a value of \$3,161. Compensation warrants were valued using the same assumptions as the warrants.

On August 11, 2020, the Company closed a private placement with proceeds of \$499,550 raised through the issuance of the issuance of 5,251,500 common units at \$0.05 per unit and 4,308,631 flow through units at \$0.055 per flow through unit. The terms of the financing are the same as those from the June 30, 2020 financing. The warrants were assigned a value of \$157,569, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.28%; expected volatility of 130%; expected dividend yield of 0% and an expected life of 2 years. In connection with the offering, the Company paid cash commissions of \$15,893 and issued 349,054 compensation warrants with a value of \$3,161. Compensation warrants were valued using the same assumptions as the warrants.

On October 1, 2020, the Company closed the private placement with Radisson Mining Inc. (see note 6) for proceeds of \$3,240,000 through the issuance of 24,000,000 flow through common shares at a price of \$0.135 per flow through share.

Between December 15 and December 22, 2021, the Company closed a private placement with proceeds of \$1,576,260 raised through the issuance of the issuance of 14,000 common units at \$0.09 per unit and 15,750,000 flow through units at \$0.10 per flow through unit. Each unit, consisted of one common share and one common share purchase warrants exercisable at \$0.13 for a period of 12 months. Each flow through unit, consisted of one common share and one-half of one common share purchase warrants exercisable at \$0.13 for a period of 12 months. The warrants were assigned a value of \$115,024, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.95%; expected volatility of 91%; expected dividend yield of 0% and an expected life of 1 year. In connection with the offering, the Company paid cash commissions of \$66,000 and issued 660,000 compensation warrants with a value of \$9,623. Compensation warrants were valued using the same assumptions as the warrants.

#### c) Share purchase warrants

The following summarizes the activity during the year ended December 31, 2021 and the year ended December 31, 2020:

	Warrants outstanding	Value
Balance at December 31, 2019	54,082,977	\$ 979,970
Issued	18,592,364	286,580
Expired	(20,126,000)	(483,138)
Balance at December 31, 2020	52,549,341	783,412
Expired	(28,674,977)	(405,332)
Issued	8,549,000	118,112
Exercised	(5,414,500)	(93,701)
Balance at December 31, 2021	27,008,864	402,491

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

#### 8. SHARE CAPITAL (continued)

Summary of warrants outstanding as at December 31, 2021:

Outstanding	Estimated Grant Date Fair Value	Exercise Price	Expiry Date	Weighted average remaining life
#	\$	\$		
100,000	1,700	0.07	30-Jun-22	0.50
4,491,179	69,791	0.075	30-Jun-22	0.50
1,400,000	23,400	0.07	23-Jul-22	0.56
2,692,000	43,759	0.075	23-Jul-22	0.56
5,119,000	85,390	0.07	11-Aug-22	0.61
4,308,631	69,969	0.075	11-Aug-22	0.61
16,000	260	0.07	11-Aug-22	0.61
333,054	5,415	0.075	11-Aug-22	0.61
7,889,000	115,024	0.13	15-Dec-22	0.96
660,000	9,623	0.13	15-Dec-22	0.96
Issue costs	(21,840)			
27,008,864	402,491	0.09		0.69

#### d) Stock option plan

The Company has a stock option plan which provides for the granting of options to purchase common shares to a maximum of 10% of the issued and outstanding common shares of the Company to officers, directors, and other service providers at the discretion of the directors. Each option granted under this plan shall be exercisable for a maximum period of five years from the date the option is granted to the optionee. Stock options vest over a period of 12 months.

On May 29, 2020, the Company issued 2,950,000 options to officers, directors and management of the Company exercisable for a period of five years at an exercise price of \$0.05 per option. 1,750,000 of the options were granted to officers and directors. The options vested immediately on the date of grant. The fair value of the options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 187%; expected dividend yield of 0%; risk-free interest rate of 0.39%; and expected life of 5 years. The options were valued at \$112,100.

On April 6, 2021, the Company issued 2,550,000 options to officers, directors and consultants of the Company exercisable for a period of five years at an exercise price of \$0.08 per option. 2,250,000 of the options were granted to officers and directors. The options vested immediately on the date of grant. The fair value of the options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: current share price \$0.08, expected volatility of 135%; expected dividend yield of 0%; risk-free interest rate of 0.95%; and expected life of 5 years. The options were valued at \$178,500.

On November 15, 2021, the Company issued 3,900,000 options to officers, directors and consultants of the Company exercisable for a period of five years at an exercise price of \$0.085 per option. 2,900,000 of the options were granted to officers and directors. The options vested immediately on the date of grant. The fair value of the options was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: current share price \$0.085, expected volatility of 128%; expected dividend yield of 0%; risk-free interest rate of 1.48%; and expected life of 5 years. The options were valued at \$284,700.

Expected volatility in the above valuations was based on historical volatility of the Company.

**RENFORTH RESOURCES INC.****Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

**8. SHARE CAPITAL (continued)**

As at December 31 2021, the weighted average exercise price of options outstanding and options exercisable were as follows:

	December 31, 2021		December 31, 2020	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding – beginning of year	15,700,000	\$ 0.07	14,050,000	\$ 0.06
Granted	6,450,000	\$ 0.08	2,950,000	\$ 0.05
Exercised	(1,350,000)	\$ 0.07	-	-
Expired	(1,750,000)	\$ 0.07	(1,300,000)	\$ 0.06
<b>Outstanding – end of year</b>	<b>19,050,000</b>	<b>\$ 0.06</b>	<b>15,700,000</b>	<b>\$ 0.07</b>
<b>Exercisable – end of year</b>	<b>19,050,000</b>	<b>\$ 0.06</b>	<b>15,700,000</b>	<b>\$ 0.07</b>

As at December 31, 2021 the Company had the following stock options outstanding:

Number of Options Outstanding	Exercise Price (\$'s)	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life (years)
2,700,000	0.050	05-Oct-22	2,700,000	0.76
2,350,000	0.050	05-Feb-23	2,350,000	1.10
3,550,000	0.050	30-May-23	3,550,000	1.41
1,450,000	0.070	30-Jan-24	1,450,000	3.05
2,550,000	0.050	29-May-25	2,550,000	3.41
2,550,000	0.080	06-Apr-26	2,550,000	4.26
3,900,000	0.085	15-Nov-26	3,900,000	4.88
<b>19,050,000</b>	<b>0.060</b>		<b>19,050,000</b>	<b>2.69</b>

**9. (LOSS) INCOME PER COMMON SHARE**

The following table sets forth the computation of basic and diluted (loss) income per common share:

	2021	2020
Numerator:		
Net (loss) income attributable to common shareholders		
- basic and diluted	\$ (3,420,389)	\$ 1,365,141
Denominator:		
Weighted average common shares outstanding		
- basic	260,945,005	222,406,843
- fully diluted	260,945,005	290,656,184
Basic (loss) income per common share	\$ (0.01)	\$ 0.01
Diluted (loss) income per common share	\$ (0.01)	\$ 0.00

The warrants and options outstanding were excluded from the computation of diluted loss per share in 2021 and because their impact was anti-dilutive.

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

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#### 10. FINANCIAL RISK FACTORS

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The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures during the years ended December 31, 2021 and 2020.

##### **Credit risk**

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to these items is remote.

##### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company had a cash balance of \$1,591,431 (December 31, 2020 – \$2,634,013) to settle current liabilities of \$757,968 (December 31, 2020 - \$2,098,127).

##### **Market risk**

###### (a) Interest rate risk

The Company has cash balances and no long-term debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

###### (b) Foreign exchange risk

The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

###### (c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity price risk is remote since the Company is not a producing entity. The Company's marketable securities are subject to equity price risk. A 10% change in the fair value of these securities would change the Company's net loss by \$286,000. The values of these investments will fluctuate as a result of changes in market prices, the price of metals or other factors affecting the value of the investments.

##### **Fair value of financial assets and liabilities**

The Company measures its cash, amounts receivable and accounts payable and accrued liabilities, at amortized cost.

As at December 31, 2021 and December 31, 2020, the fair values of Company's financial instruments approximate their carrying values, given their short-term nature.

The fair value of financial assets at FVPL is determined by reference to their quoted closing bid price at the reporting date.



## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

#### 11. COMMITMENTS AND CONTINGENCIES

- (a) See note 6 for additional commitments and contingencies on evaluation and exploration assets.
- (b) The Company renounced \$3,847,550 of qualifying exploration expenditures to the shareholders effective December 31, 2020. Under the “look back” provision governing flow-through shares, \$2,511,655 of the amount was unspent by the end of 2020 and has to be spent by December 31, 2022. The Company has \$219,749 remaining to spend.
- (c) The Company renounced \$1,575,000 of qualifying exploration expenditures to the shareholders effective December 31, 2021. Under the “look back” provision governing flow-through shares, \$1,575,000 of the amount was unspent by the end of 2021 and has to be spent by December 31, 2022.
- (d) The Company’s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

#### 12. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

	2021	2020
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Shares issued for debt settlement	\$ 165,000	\$ 130,515
Warrants issued for broker compensation	\$ 3,088	\$ 6,772

#### 13. GENERAL AND CORPORATE EXPENSES

	2021	2020
Management compensation	\$ 92,000	\$ 90,000
Legal and audit	38,629	73,738
Consulting services	715,029	676,925
Insurance	9,807	7,284
Transfer agent	5,737	13,298
Administrative and general	74,460	70,727
Listing fees	51,211	20,064
	\$ 986,873	\$ 952,036

## RENFORTH RESOURCES INC.

### Notes to the Financial Statements

December 31, 2021 and 2020

(Expressed in Canadian dollars)

#### 14. CHANGE IN ACCOUNTING POLICY

On January 1, 2021, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights and exploration and evaluation costs, are expensed until it has been established that a mineral property is technically feasible and commercially viable. Previously, the Company capitalized these amounts. The financial statements for the comparable periods have been restated to reflect adjustments made as a result of this change in accounting policy.

The following is a reconciliation of the Company's financial statements as at January 1, 2020 and December 31, 2020 and for the year ended December 31, 2020.

Statements of Financial Position:

	As at December 31, 2020 as previously reported	Adjustments	As at December 31, 2020 as restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 2,634,013	\$ -	\$ 2,634,013
Sales and other taxes receivable	204,426	-	204,426
Prepaid expenses and deposits	119,940	-	119,940
Marketable securities	4,080,000	-	4,080,000
Total current assets	7,038,379	-	7,038,379
<b>Non-current assets</b>			
Exploration and evaluation assets	5,750,943	(5,750,943)	-
Total non-current assets	5,750,943	(5,750,943)	-
<b>TOTAL ASSETS</b>	<b>\$ 12,789,322</b>	<b>\$ (5,750,943)</b>	<b>\$ 7,038,379</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 357,933	\$ -	\$ 357,933
Deferred tax liability	196,000	(196,000)	-
Flow through share premium	1,740,194	-	1,740,194
Total liabilities	2,294,127	-	2,098,127
<b>Equity</b>			
Share Capital	\$ 19,346,936	\$ -	\$ 19,346,936
Warrants	783,412	-	783,412
Contributed surplus	3,586,177	-	3,586,177
Accumulated deficit	(13,221,330)	(5,554,943)	(18,776,273)
Total equity	10,495,195	(5,554,943)	4,940,252
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 12,789,322</b>	<b>\$ (5,750,943)</b>	<b>\$ 7,038,379</b>

**RENFORTH RESOURCES INC.****Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

**14. CHANGE IN ACCOUNTING POLICY (continued)**

	As at January 1, 2020 as previously reported	Adjustments	As at January 1, 2020 as restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 885,758	\$ -	\$ 885,758
Sales and other taxes receivable	120,069	-	120,069
Prepaid expenses and deposits	91,386	-	91,386
<b>Total current assets</b>	<b>1,097,213</b>	<b>-</b>	<b>1,097,213</b>
<b>Non-current assets</b>			
Tax credits receivable	98,000	-	98,000
Exploration and evaluation assets	7,137,432	(7,137,432)	-
<b>Total non-current assets</b>	<b>7,235,432</b>	<b>(7,137,432)</b>	<b>98,000</b>
<b>TOTAL ASSETS</b>	<b>\$ 8,332,645</b>	<b>\$ (7,137,432)</b>	<b>\$ 1,195,213</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	\$ 305,361	\$ -	\$ 305,361
Flow through share premium	270,986	-	270,986
<b>Total liabilities</b>	<b>576,347</b>	<b>-</b>	<b>576,347</b>
<b>Equity</b>			
Share Capital	\$ 16,843,160	\$ -	\$ 16,843,160
Warrants	979,970	-	979,970
Contributed surplus	2,937,150	-	2,937,150
Accumulated deficit	(13,003,982)	(7,137,432)	(20,141,414)
<b>Total equity</b>	<b>7,756,298</b>	<b>(7,137,432)</b>	<b>618,866</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 8,332,645</b>	<b>\$ (7,137,432)</b>	<b>\$ 1,195,213</b>

**RENFORTH RESOURCES INC.****Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

**14. CHANGE IN ACCOUNTING POLICY (continued)**

Statement of Loss and Comprehensive Loss:

	Year ended December 31, 2020 as previously reported	Adjustments	Year ended December 31, 2020 as restated
<b>Expenses</b>			
General and corporate	\$ 952,036	\$ -	\$ 952,036
Share based payments	112,100		112,100
Exploration expenditures	-	2,421,708	2,421,708
<b>Loss before other items</b>	(1,064,136)	(2,421,708)	(3,485,844)
<b>Other items</b>			
Flow through share premium	270,985	-	270,985
Gain on sale of New Alger project	531,803	3,808,197	4,340,000
Change in fair value of marketable securities	240,000	-	240,000
Loss before income taxes	(21,348)	1,386,489	1,365,141
Income taxes	(196,000)	196,000	-
<b>Net income (loss) and comprehensive income (loss) for the year</b>	\$ (217,348)	\$1,582,489	\$1,365,141
<b>Basic income (loss) per share</b>	\$ (0.00)	\$ 0.01	\$ 0.01
<b>Diluted income (loss) per share</b>	\$ (0.00)	\$ 0.00	\$ 0.00

**RENFORTH RESOURCES INC.****Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

**14. CHANGE IN ACCOUNTING POLICY (continued)**

Statement of Cash Flows:

	Year ended December 31, 2020 as previously reported	Adjustments	Year ended December 31, 2020 as restated
<b>Cash flow from operating activities</b>			
Net income (loss) for the year	\$ (217,348)	\$ 1,582,489	\$ 1,365,141
Items not affecting cash:			
Shares issued as payment for exploration assets	-	280,000	280,000
Provision for income taxes	196,000	(196,000)	-
Gain on sale of property	(531,803)	(3,308,197)	(3,840,000)
Share based payments	112,100	-	112,100
Unrealized gain on marketable securities	(240,000)	-	(240,000)
Flow through share premium	(270,985)	-	(270,985)
Changes in non-cash working capital:			
Sales tax and refundable tax credits receivable	(84,357)	98,000	13,643
Accounts payable and accrued liabilities	66,549	170,327	236,876
Prepaid expenses and deposits	(28,554)	-	(28,554)
Total cash flows (used in) operating activities	(998,398)	(1,373,381)	(2,371,779)
<b>Cash flow from investing activities</b>			
Additions to exploration and evaluation assets	(2,139,035)	2,139,035	-
Option payment received on Denain project	50,000	(50,000)	-
Proceeds from sale of New Alger	500,000	(500,000)	-
Recovery of mining input tax credits	215,654	(215,654)	-
Total cash flows (used in) investing activities	(1,373,381)	1,373,381	-
<b>Cash flow from financing activities</b>			
Issue of common shares and warrants	4,185,050	-	4,185,050
Share issue costs	(65,016)	-	(65,016)
Total cash flows from financing activities	4,120,034	-	4,120,034
<b>Increase in cash</b>	1,748,255	-	1,748,255
<b>Cash, beginning of year</b>	885,758	-	885,758
<b>Cash, end of year</b>	\$ 2,634,013	\$ -	\$ 2,634,013

**RENFORTH RESOURCES INC.****Notes to the Financial Statements**

December 31, 2021 and 2020

(Expressed in Canadian dollars)

**15. INCOME TAXES****a) Provision for Income Taxes - Current**

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.5% (2020 – 26.50%) were as follows:

	2021	2020
Loss before income taxes	\$ (3,420,390)	\$ 1,365,141
Statutory rate applied to loss for the year before income taxes	\$ (906,000)	\$ (362,000)
Increase (decrease) in taxes resulting from:		
Non-deductible stock-based compensation	123,000	30,000
Flow-through renunciation	-	257,000
Other items	(294,000)	(104,000)
Deferred tax assets not recognized	1,077,000	179,000
Deferred income tax provision (recovery)	\$ -	\$ -

**b) Deferred Income Tax**

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	2020
Recognized deferred tax assets and liabilities		
Non-capital loss carry-forwards	\$ -	\$ 98,000
Investments	1,022,000	(240,000)
Exploration and evaluation expenditures	4,761,000	4,880,000
Other temporary differences	5,000	5,000
Share issue costs	149,000	152,000
	\$ 5,937,000	\$ 4,895,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable-profits will be available against which the Company will be able to use the benefits.