HEADWATER GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2021 AND FEBRUARY 29, 2020

(Expressed in Canadian Dollars)

manning elliott

17th floor, 1030 West Georgia St., Vancouver, BC, Canada V6E 2Y3

Tel: 604. 714. 3600 **Fax:** 604. 714. 3669 **Web:** manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Headwater Gold Inc.

Opinion

We have audited the consolidated financial statements of Headwater Gold Inc. (the "Company") which comprise the consolidated statements of financial position as at February 28, 2021 and February 29, 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years ended February 28, 2021 and February 29, 2020, and the related notes comprising a summary of significant accounting policies and other explanatory information (together, the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company as at February 28, 2021 and February 29, 2020, and its financial performance and its cash flows for the years ended February 28, 2021 and February 29, 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 Audits 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 audits 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 and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying Financial Statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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 audits 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 audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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 Audits 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 auditors’ 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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 audits resulting in this independent auditors’ report is Joseph Bonvillain.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
June 28, 2021

HEADWATER GOLD INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	February 28, 2021 $	February 29, 2020 $
Assets			
Current assets			
Cash	2(e)	326,410	363,309
Restricted cash	6	4,075,342	5,000
Marketable securities	4	3,024,625	-
Amounts and other receivable		3,050	1,294
Prepaid expenses		3,782	2,847
Deferred share issuance costs	6	183,616	
		7,616,825	372,450
Non-current assets			
Exploration and evaluation assets	5	1,451,151	708,853
Total assets		9,067,976	1,081,303
Liabilities			
Current liabilities			
Trade and other payables	9	283,288	76,244
Income taxes payable		187,738	-
		471,026	76,244
Non-current liabilities			
Deferred income taxes payable		208,331	-
Total liabilities		679,357	76,244
Equity			
Share capital	6	3,296,978	1,278,776
Subscription receipts and share subscriptions	6	4,070,224	55,000
Reserves	6	323,079	96,619
Accumulated other comprehensive loss		(68,243)	(5,318)
Retained earnings (deficit)		766,581	(420,018)
		8,388,619	1,005,059
Total liabilities and equity		9,067,976	1,081,303

Nature of operations and going concern (Note 1)
Subsequent events (Note 14)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on June 28, 2021 and are signed on its behalf by:

/s/"Alistair Waddell" Director *\/s/"Caleb Stroup"* Director

The accompanying notes form an integral part of these consolidated financial statements

HEADWATER GOLD INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian Dollars)

	Note	Year ended February 28, 2021 $	Year ended February 29, 2020 $
Expenses			
Accounting and audit		69,936	34,102
Consulting		45,929	48,070
Filing fees		7,176	1,519
General exploration		73,183	93,105
Investor communication		22,003	15,242
Legal		9,056	5,247
Management		91,157	7,402
Office		83,686	45,866
Salaries and benefits		17,546	6,005
Share-based payments		191,860	72,449
Travel		18,604	15,506
Total expenses		(630,136)	(344,513)
Other income (expenses)			
Finance income		2,783	997
Foreign exchange gain (loss)		(78,195)	9,280
Gain on sale of exploration and evaluation assets	5	2,426,296	-
Impairment of exploration and evaluation assets	5	(6,605)	(80,251)
Unrealized loss on investments		(110,931)	-
Loss on disposal of equipment		-	(633)
Total other income (expenses)		2,233,348	(70,607)
Income (loss) before tax		1,603,212	(415,120)
Income tax expense		(197,476)	-
Deferred income tax expense		(219,137)	-
Net income (loss)		1,186,599	(415,120)
Other comprehensive loss			
Items that may be reclassified to comprehensive loss:			
Cumulative translation adjustment		(62,925)	(5,318)
Comprehensive income (loss)		1,123,674	(420,438)
Income (loss) per common share, basic		0.04	(0.02)
Weighted average number of common shares outstanding, basic		33,350,259	21,739,031
Income (loss) per common share, diluted		0.03	(0.02)
Weighted average number of common shares outstanding, diluted		34,188,532	21,739,031

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

HEADWATER GOLD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Subscription Receipts and Share Subscriptions $	Reserves $	Accumulated Other Comprehensive Loss $	Retained Earnings (Deficit) $	Total $
Balance, February 28, 2019	17,250,002	256,250	-	-	-	(4,898)	251,352
Shares issued for private placement	10,216,840	1,000,026	-	-	-	-	1,000,026
Shares issued for debt settlement	300,000	22,500	-	-	-	-	22,500
Share subscriptions	-	-	55,000	-	-	-	55,000
Share-based payments	-	-	-	96,619	-	-	96,619
Net loss	-	-	-	-	-	(415,120)	(415,120)
Other comprehensive loss	-	-	-	-	(5,318)	-	(5,318)
Balance, February 29, 2020	27,766,842	1,278,776	55,000	96,619	(5,318)	(420,018)	1,005,059
Shares issued for private placement	9,971,664	2,026,350	(55,000)	-	-	-	1,971,350
Shares issued for Crane Creek	200,000	44,000	-	-	-	-	44,000
Subscription receipts	-	-	4,070,224				4,070,224
Share-based payments	-	-	-	226,460	-	-	226,460
Share issue costs (Note 6)	-	(52,148)	-	-	-	-	(52,148)
Net income	-	-	-	-	-	1,186,599	1,186,599
Other comprehensive loss	-	-	-	-	(62,925)	-	(62,925)
Balance, February 28, 2021	37,938,506	3,296,978	4,070,224	323,079	(68,243)	766,581	8,388,619

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

HEADWATER GOLD INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended February 28, 2021 $	Year ended February 29, 2020 $
Operating activities		
Net income (loss)	1,186,599	(415,120)
Items not involving cash:		
Foreign exchange	38,007	-
Gain on sale of exploration and evaluation assets	(2,426,296)	-
Impairment of exploration and evaluation assets	6,605	80,251
Unrealized loss on investments	110,931	-
Loss on disposal of equipment	-	623
Share-based payments	226,460	72,449
Deferred income taxes payable	219,137	-
Changes in non-cash working capital accounts:		
Amounts and other receivable	(1,756)	(1,294)
Prepaid expenses	(1,149)	(2,847)
Trade and other payables	5,644	(1,524)
Income taxes payable	197,476	-
Cash used in operating activities	(438,342)	(267,462)
Investing activities		
Expenditures on exploration and evaluation assets	(1,218,662)	(462,943)
Proceeds from sale of exploration and evaluation assets	467,005	-
Purchase of marketable securities	(750,000)	-
Cash used in investing activities	(1,501,657)	(462,943)
Financing activities		
Proceeds from share issuances	1,971,350	1,000,026
Subscription receipts and share subscriptions received	4,070,224	55,000
Share issuance costs	(53,562)	-
Cash provided by financing activities	5,988,012	1,055,026
Effect of foreign exchange on cash	(14,570)	-
Increase in cash	4,033,443	324,621
Cash, beginning of year	368,309	43,688
Cash, end of year	4,401,752	368,309
Supplemental information		
Cash on hand	326,410	363,309
Restricted cash	4,075,342	5,000
	4,401,752	368,309

Refer to Note 12 for non-cash transactions incurred during the years ended February 28, 2021 and 2020.

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Headwater Gold Inc. (the "Company") was incorporated on January 14, 2019 under the laws of British Columbia. The Company's principal business activities include the acquisition and exploration of mineral property assets in the United States. The address of the Company's corporate office and its principal place of business is Suite 1210 – 1130 West Pender Street, Vancouver, British Columbia, Canada. The Company's shares were approved for trading on the Canadian Securities Exchange ("CSE") under the symbol "HWG" on June 8, 2021.

The Company has one wholly owned subsidiary: CP Holdings Corporation. The accounts of the subsidiary are consolidated with the Company.

As at February 28, 2021, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The Company has not generated revenue or cash flows from operations. The Company's ability to continue its operations, develop its properties and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors form a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

The outbreak and spread of a novel coronavirus (COVID-19), declared a pandemic by the World Health Organization, has already had significant human, political, and economic consequences around the world. The coronavirus is still evolving, and its full impact remains to be determined. However, its wide-ranging effects include financial market volatility, interest rate cuts, disrupted movement of people and goods, and diminished consumer confidence. The effects of the coronavirus may be difficult to assess or predict with meaningful precision both generally and as an industry or issuer-specific basis. This is an uncertain issue where actual effects will depend on many factors beyond the control and knowledge of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of Presentation

The consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

c) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, CP Holdings Corporation. Inter-company balances and transactions are eliminated on consolidation.

d) Use of Estimates

The preparation of these consolidated financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Significant areas requiring the use of management estimates and judgements are described in Note 3.

e) Cash

Cash includes cash on hand and demand deposits with financial institutions.

Restricted cash consists of a term deposit held by a financial institution as security against a company credit card ($5,025) and subscription receipt funds held in escrow ($4,070,317).

f) Exploration and Evaluation Assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized and classified as intangible assets. Upon commencement of commercial production, the related accumulated costs are amortized to income using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties for impairment and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that have lapsed, the unrecoverable amounts are expensed.

The recoverability of the carrying amounts of exploration and evaluation assets ("E&E Asset") is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as exploration and evaluation assets represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Exploration and Evaluation Assets (continued)

When options are granted on mineral properties or properties are sold, proceeds are reflected as a reduction of the cost of the property. If sale proceeds exceed costs, the excess is reported as a gain.

g) Equipment

Equipment is recorded at cost, less accumulated depreciation. Depreciation is calculated using the following rates and methods:

Computer equipment	20% straight line basis
Field equipment	30% declining balance basis

h) Impairment of Non-Financial Assets

Equipment is regularly tested for recoverability or whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment of exploration and evaluation assets is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are cash-generating units.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

i) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets – Classification

The Company classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income ("OCI"), or through profit or loss), and
- Those to be measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial Instruments (continued)

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI.

Fair value hierarchy

The following table summarizes the fair value hierarchy under which the Company's financial instruments are valued.

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based upon observable market data.

Cash and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of trade and other payables approximate their fair values because of the short-term nature of the instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial assets – Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification. There are three measurement categories under which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial Instruments (continued)

- Fair value through OCI ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

- Fair value through profit or loss: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the Statement of Loss and Comprehensive Loss in the period in which it arises. The Company measures cash and marketable securities at FVTPL.

Financial liabilities

The Company classifies its financial liabilities into the following categories:

- FVTPL; and

- Amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The fair value change to financial liabilities at FVTPL are presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- the remaining amount of the change in the fair value is presented in profit or loss.

The Company has classified its trade and other payables at amortized cost. The Company does not designate any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

j) Short-term Investments

Short-term investments include term deposits and marketable securities. Term deposits are Canadian guaranteed investment certificates that have maturities within 12 months from the consolidated statement of financial position date and are readily convertible into known amounts of cash with minimal risk of fluctuation in fair value. Marketable securities are investments in publicly traded companies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. At each financial position reporting date presented the Company has not incurred any decommissioning costs related to the exploration and evaluation of its mineral properties and accordingly no provision has been recorded for such site reclamation or abandonment.

l) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statements of comprehensive loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred taxes are the taxes expected to be payable or recoverable on the difference between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Income Taxes (continued)

- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of an asset to be recovered.

m) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and stock options are classified as equity instruments.

The proceeds from the issue of units are allocated between common shares and share purchase warrants based on the residual value method. The fair value of common shares is based on the market closing price on the date the units are issued. Equity instruments issued to agents as financing costs are measured at their fair value at the date of grant. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted income (loss) per common share is computed by dividing the net income (loss) applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury stock method in which the dilutive effect on loss per share is recognized based on the proceeds that could be obtained from the exercise of options, warrants, and similar instruments. It assumes the proceeds would be used to purchase common shares at the average market price during the year. The weighted average number of common shares outstanding for the year ended February 28, 2021 includes 3,000,000 options outstanding that could be potentially dilutive in the future, as described in Note 7. The weighted average number of common shares outstanding for the year ended February 29, 2020 does not include options outstanding as the inclusion of the amounts would reduce the loss per share amount and are therefore anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Share-based Payments

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods.

Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued. If it is determined that the fair value of the goods or services cannot be reliably measured, it would then be recorded at the date the goods or services were received. The fair value of share-based compensation is charged to the consolidated statement of comprehensive loss with a corresponding credit recorded to contributed surplus. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

The fair value of options is determined using the Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of operations and comprehensive loss/income over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The Black-Scholes model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

p) Foreign Currency Translation

The presentation and functional currency of the Company is the Canadian dollar as this is the principal currency of the economic environment in which it operates. The functional currency of the subsidiary is the United States Dollar.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company translates transactions in foreign currencies into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the exchange rates in effect at the consolidated statement of financial position date. Non-monetary assets and liabilities are translated at historical rates. The resulting exchange gains or losses are recognized in the statement of comprehensive loss.

A subsidiary that has a functional currency different from the presentation currency, is translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates for the period, and
- All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

q) Adoption of New and Revised Standards and Interpretations

A number of new or amended accounting standards were scheduled for mandatory adoption on or after March 1, 2020. The Company has not early adopted these new standards in preparing these consolidated financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical estimates and judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements are discussed below:

i) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting impairment, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

(Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

ii) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iii) Income Taxes

Significant judgment is required in determining the provision for income taxes and the recognition of deferred income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes that they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than any amount recognized as current or deferred taxes.

iv) Going Concern

As described in Note 1, management uses its judgement in determining whether the Company is able to continue as a going concern.

v) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating the fair value for share-based payment transactions are disclosed in Note 7.

4. MARKETABLE SECURITIES

Short-term investments consist of term deposits and marketable securities. As at February 28, 2021 and 2020, the fair values of the short-term investments are as follows:

	February 28, 2021		**February 29, 2020**	
	Fair Value ($)	**Cost ($)**	**Fair Value ($)**	**Cost ($)**
Term deposits	750,000	750,000	-	-
Shares in Eclipse (a) and Huntsman (b)	2,274,625	2,380,250	-	-
	3,024,625	3,130,250	-	-

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES (CONTINUED)

a) Eclipse Gold Mining Corporation

On November 24, 2020, pursuant to a property sale agreement, the Company received 500,000 common shares of Eclipse Gold Mining Corporation ("Eclipse"), a public company listed for trading on the TSX Venture Exchange ("TSXV"), which were recorded at market value of $310,000 (Note 5(b)).

In February 2021, Northern Vertex Mining Corp. ("Northern Vertex") acquired Eclipse via a statutory plan of arrangement under the Business Corporations Act (British Columbia) pursuant to which Northern Vertex acquired all of the issued and outstanding common shares of Eclipse. Pursuant to the transaction, Eclipse shareholders are entitled to receive 1.09 common shares of Northern Vertex in exchange for each Eclipse share held by such shareholder immediately prior to the completion of the transaction. The plan of arrangement was completed on February 16, 2021 and the Eclipse shares were delisted from the TSXV on February 19, 2021. The Company is entitled to receive 545,000 common shares of Northern Vertex in exchange for its 500,000 common shares of Eclipse.

A summary table of the Company's investment in Eclipse is as follows:

	Number of shares	Fair value $
Balance, February 29, 2020	-	-
Eclipse shares received on November 24, 2020	500,000	310,000
Unrealized loss	-	(105,625)
Balance, February 28, 2021	500,000	204,375

a) Huntsman Exploration Inc.

On December 21, 2020, pursuant to a property sale agreement, the Company received 8,450,000 common shares of Huntsman Exploration Inc. ("Huntsman"), a public company trading on the TSXV, which were recorded at market value of $2,070,250 (Note 5(a)). The shares are restricted from trading until December 21, 2021.

A summary table of the Company's investment in Huntsman is as follows:

	Number of shares	Fair value $
Balance, February 29, 2020	-	-
Huntsman shares received on December 21, 2020	8,450,000	2,070,250
Balance, February 28, 2021	8,450,000	2,070,250

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

	Idaho $	Nevada $	Oregon $	Utah $	Total $
Acquisition costs					
Balance, February 28, 2019	224,557	4,773	-	-	229,330
Additions	35,146	143,153	69,262	32,763	280,324
Impairment	(29,631)	(20,196)	-	-	(49,827)
Foreign exchange	2,378	1,978	1,286	591	6,233
Balance, February 29, 2020	232,450	129,708	70,548	33,354	466,060
Additions	250,118	352,986	134,426	14,163	751,693
Impairment	-	(6,648)	-	-	(6,648)
Sale of E&E Asset	(134,404)	(198,171)	-	(45,133)	(377,708)
Foreign exchange	(15,709)	(21,322)	(9,374)	(2,384)	(48,789)
Balance, February 28, 2021	332,455	256,553	195,600	-	784,608
Exploration costs					
Balance, February 28, 2019	60,333	1,282	-	-	61,615
Additions					
Administration	28,739	24,417	2,474	-	55,630
Geology	28,582	53,942	21,394	990	104,908
Mapping and sampling	605	9,625	11,725	-	21,955
Technical review	9,278	12,969	2,513	517	25,277
	67,204	100,953	38,106	1,507	207,770
Impairment	-	(30,282)	-	-	(30,282)
Foreign exchange	2,092	903	669	26	3,690
Balance, February 29, 2020	129,629	72,856	38,775	1,533	242,793
Additions					
Administration	9,890	12,544	12,184	-	34,618
Drilling	-	1,399	8,316	-	9,715
Geology	83,101	108,598	208,592	6,077	406,368
Mapping, sampling, geochem	4,801	14,806	38,188	-	57,795
Reports	-	-	17,244	-	17,244
Technical review	12,767	17,166	10,684	-	40,617
	110,559	154,513	295,208	6,077	566,357
Sale of E&E Asset	(46,369)	(53,496)	-	(7,102)	(106,967)
Foreign exchange	(10,868)	(10,676)	(13,588)	(508)	(35,640)
Balance, February 28, 2021	182,951	163,197	320,395	-	666,543
Total acquisition costs and exploration expenditures					
February 29, 2020	362,079	202,564	109,323	34,887	708,853
February 28, 2021	515,406	419,750	515,995	-	1,451,151

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Idaho Properties

The Company holds a 100% interest in three mineral properties in Idaho that it has acquired by way of staking federal land or arm's length vendor acquisition.

(i) Matador Property - Matador is comprised of 30 mineral claims totalling approximately 251 hectares located in Owyhee County, Idaho. The Company had elected not to maintain certain of the claims and accordingly $7,408 in acquisition costs and related exploration costs connected to the claims were written off during the year ended February 29, 2020.

(ii) Opaline Gulch Property - Opaline Gulch is comprised of 31 mineral claims totalling approximately 259 hectares located in Owyhee County, Idaho. The Company had elected not to maintain certain of the claims and accordingly $14,223 in acquisition costs and related exploration costs connected to the claims were written off during the year ended February 29, 2020.

(iii) Crane Creek Property – Crane Creek is comprised of 102 mineral claims totalling approximately 826 hectares located in Washington County, Idaho.

Pursuant to an agreement dated July 22, 2020, the Company has acquired a 100% undivided interest in certain unpatented mining claims and State Mineral Lease E500007 located in Idaho for consideration of US $60,000 and 200,000 common shares of the Company (issued October 1, 2020 with a fair value of $44,000). The unpatented mining claims are subject to a 1% net smelter returns royalty which the Company may purchase for US $1,000,000 at any time. State Mineral Lease E500007 expired on February 28, 2021 and the Company is in the process of pursuing a fresh lease with the State.

Pursuant to mining lease agreement effective October 28, 2020 (the "Effective Date"), the Company has agreed to lease certain fee lands in Washington County, Idaho for a twenty year term that may be extended by ten year increments, for consideration of US $5,000 payable upon execution of the agreement and subsequent payments of US $3,250 on each anniversary of the Effective Date. The property is subject to a net smelter returns royalty of 2%, of which the first 1% may be purchased for US $1,000,000 at any time and the second 1% may be purchased for US $2,000,000 at any time.

(iv) Flint Property - Flint was comprised of 91 mineral claims totalling approximately 756 hectares located in Owyhee County, Idaho. The Company had elected not to maintain certain of the claims and accordingly $8,000 in acquisition costs and related exploration costs connected to the claims were written off during the year ended February 29, 2020.

Pursuant to an agreement dated December 3, 2020, the Company sold 100% interest in the Flint property to Huntsman for consideration of US $100,000 and 8,450,000 common shares of Huntsman with a fair value of $2,070,250, subject to a 2% net smelter returns royalty retained by the Company. This transaction was completed on December 21, 2020 and a gain on disposal of exploration and evaluation assets of $2,095,461 was recorded during the year ended February 28, 2021.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Properties

The Company holds a 100% interest in four mineral properties in Nevada that it has acquired by way of staking federal land.

(i) Agate Point Property - Agate Point is comprised of 94 mineral claims totalling approximately 761 hectares located in Humboldt County, Nevada.

(ii) Castle Ridge Property – Castle Ridge is comprised of 240 mineral claims totalling approximately 1,943 hectares located in Elko County, Nevada.

(iii) Dome Hill Property - Dome Hill is comprised of 26 mineral claims totalling approximately 217 hectares located in Mineral County, Nevada and Mono County, California.

(iv) Long Valley Property – Long Valley is comprised of 51 mineral claims totalling approximately 426 hectares located in Esmeralda and Mineral County, Nevada.

(v) Como Property - Como was comprised of 38 mineral claims totalling approximately 297 hectares located in Lyon County, Nevada. Pursuant to an agreement dated November 5, 2020, the Company sold 100% interest in the Como property to Eclipse for consideration of US $100,000 and 500,000 common shares of Eclipse with a fair value of $310,000 (Note 4(a)), subject to a net smelter returns royalty retained by the Company of 1.25% to 2.5% on certain of the claims. This transaction was completed on November 24, 2020 and a gain on disposal of exploration and evaluation assets of $313,845 was recorded during the year ended February 28, 2021.

(vi) Bob Creek Property - Bob Creek was comprised of 80 mineral claims totalling approximately 669 hectares located in Eureka County, Nevada. Pursuant to a property option agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in Bob Creek for consideration of US $55,000 of which US $2,750 is payable within 90 days of signing the agreement (paid December 21, 2020) and US $52,250 is payable in cash or common shares of the purchaser on or before October 1, 2023 (paid February 23, 2021). The property is subject to a 0.5% net smelter returns ("NSR") royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. The option was exercised on February 23, 2021 and a gain on disposal of exploration and evaluation assets of $4,919 was recorded during the year ended February 28, 2021 (Note 9).

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Properties (continued)

(vii) Danny Boy Property - Danny Boy was comprised of 20 mineral claims totalling approximately 167 hectares located in Elko County, Nevada. Pursuant to a property option agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in Danny Boy for consideration of US $15,000 of which US $1,250 is payable within 90 days of signing the agreement (paid December 21, 2020) and US $13,750 is payable in cash or common shares of the purchaser on or before October 1, 2023 (paid February 23, 2021). The property is subject to a 0.5% net smelter returns ("NSR") royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. The option was exercised on February 23, 2021 and a gain on disposal of exploration and evaluation assets of $4,809 was recorded during the year ended February 28, 2021 (Note 9).

(viii) Ziggurat Property - Ziggurat was comprised of 61 mineral claims totalling approximately 510 hectares located in Nye County, Nevada. Pursuant to a property option agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in Ziggurat for consideration of US $35,000 of which US $2,000 is payable within 90 days of signing the agreement (paid December 21, 2020) and US $33,000 is payable in cash or common shares of the purchaser on or before October 1, 2023 (paid February 23, 2021. The property is subject to a 0.5% net smelter returns ("NSR") royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. The option was exercised on February 23, 2021 and a gain on disposal of exploration and evaluation assets of $2,608 was recorded during the year ended February 28, 2021 (Note 9).

c) Oregon Properties

The Company holds a 100% interest in four mineral properties in Oregon that it has acquired by way of staking federal land.

(i) Katey Property - Katey is comprised of 85 mineral claims totalling approximately 711 hectares located in Malheur County, Oregon.

(ii) Mahogany Property - Mahogany is comprised of 139 mineral claims totalling approximately 1,162 hectares located in Malheur County, Oregon.

(iii) Hot Tub Property – Hot Tub is comprised of 30 mineral claims totalling approximately 251 hectares in Malheur County, Oregon.

(iv) Birch Creek Property – Birch Creek is comprised of 12 mineral claims totalling approximately 100 hectares in Malheur County, Oregon.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

d) Utah Properties

The Company held a 100% interest in the Keg property in Utah that it had acquired by way of staking federal land. Keg was comprised of 63 mineral claims totalling approximately 527 hectares located in Juab County, Utah.

Pursuant to a property option agreement dated October 1, 2020, the Company granted a private company controlled by directors of the Company the exclusive right and option to acquire 100% interest in Keg for consideration of US $45,000 of which US $2,500 is payable within 90 days of signing the agreement (paid December 21, 2020) and US $42,500 is payable in cash or common shares of the purchaser on or before October 1, 2023 (paid February 23, 2021). The property is subject to a 0.5% net smelter returns ("NSR") royalty retained by the Company that is capped at US $1,000,000 and the purchaser shall have the right to purchase the 0.5% NSR for US $500,000 at any time. The option was exercised on February 23, 2021 and a gain on disposal of exploration and evaluation assets of $5,358 was recorded during the year ended February 28, 2021 (Note 9).

6. SHARE CAPITAL

a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The Company issued the following common shares during the year ended February 28, 2021:

i) On March 6, 2020, the Company raised gross proceeds of $343,750 by way of a non-brokered private placement of 2,291,664 common shares priced at $0.15. Finder's fees of $13,500 was paid to a registered representative on $225,000 of the placement.

ii) On June 18, 2020, the Company raised gross proceeds of $15,000 by way of a non-brokered private placement of 100,000 common shares priced at $0.15.

iii) On September 28, 2020, the Company raised gross proceeds of $1,667,600 by way of a non-brokered private placement of 7,580,000 common shares priced at $0.22. Finder's fees of $38,648 was paid to registered representatives on $772,970 of the placement.

iv) On October 1, 2020, the Company issued 200,000 common shares with a fair value of $0.22 per share pursuant to the Crane Creek property acquisition described in Note 5(a).

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

v) On February 11, 2021, the Company raised gross proceeds of $4,070,224 by way of a non-brokered private placement of 11,629,212 subscription receipts (each, a "Subscription Receipt") priced at $0.35. Each Subscription Receipt entitles the holder to acquire, for no additional consideration, one common share pursuant to the terms and conditions in the Subscription Receipt Certificate. The conversion of the Subscription Receipts to common shares is anticipated to occur on the completion of certain conditions, specifically (i) the issuance of a receipt for a Prospectus and (ii) the confirmation from the Canadian Securities Exchange (the "CSE") that the Company has met all CSE requirements for the Proposed Listing, subject to the conversion of the Subscription Receipts. The gross proceeds from the sale of the Subscription Receipts were deposited in escrow and are held by the Company in a separate interest-bearing account, with such Escrowed Funds not to be released until the satisfaction of the Escrow Release Conditions at which time the Escrowed Funds together with interest earned thereon will be accessible by the Company. Finder's fees of $182,203 was recorded as payable on $3,036,725 of the placement.

The Escrow Release Conditions were met subsequent to yearend and the Subscription Receipts were converted into common shares on June 3, 2021.

The Company issued the following common shares during the year ended February 29, 2020:

vi) On June 3, 2019, the Company raised gross proceeds of $244,875 by way of a non-brokered private placement of 3,265,000 common shares priced at $0.075.

vii) On September 16, 2019, the Company raised gross proceeds of $272,625 by way of a non-brokered private placement of 3,635,000 common shares priced at $0.075.

viii) On September 18, 2019, the Company raised gross proceeds of $15,000 by way of a non-brokered private placement of 200,000 common shares priced at $0.075.

ix) On September 19, 2019, the Company settled $22,500 in liabilities owing to a significant shareholder with a common director through the issuance of 300,000 common shares priced at $0.075.

x) On February 7, 2020, the Company raised gross proceeds of $467,526 by way of a non-brokered private placement of 3,116,840 common shares priced at $0.15.

xi) As at February 29, 2020, the Company received subscription proceeds of $55,000 pursuant to the non-brokered private placement that closed on March 6, 2020.

b) Reserves

	February 28, 2021 $	February 29, 2020 $
Fair value of stock options granted or vested	323,079	96,619
Reserves	323,079	96,619

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has a Stock Option Plan dated May 16, 2019 (the “Plan”). Because it is a rolling stock option plan, the Company may grant options to a maximum of 10% of the issued and outstanding Common Shares, from time to time, under the Plan. However, share compensation awards under all share compensation arrangements of the Company may not exceed, in aggregate, 10% of the total number of issued and outstanding Common Shares. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other requirements under the Plan. Options granted under the Plan are subject to vesting terms determined by the Board.

A summary of the Company’s stock options at February 28, 2021 and 2020 and the changes for the years then ended is presented below:

	February 28, 2021		February 29, 2020	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	1,600,000	$0.10	-	-
Granted	2,135,000	$0.21	1,600,000	$0.10
Ending balance	3,735,000	$0.16	1,600,000	$0.10

On August 12, 2020, the Company granted 1,400,000 stock options exercisable at $0.20 per share to directors, officers and a consultant of the Company. The options vested over a six month period.

On November 24, 2020, the Company granted 735,000 stock options exercisable at $0.22 per share to directors, officers, employees and consultants of the Company. The options will vest over a six month period.

Details of stock options outstanding and exercisable as at February 28, 2021 and February 29, 2020 are as follows:

Expiry Date	Exercise Price	February 28, 2021	February 29, 2020	Weighted Average Remaining Contractual Life (Years)
July 24, 2024	$0.10	1,500,000	1,500,000	3.40
September 1, 2024	$0.10	100,000	100,000	3.51
August 12, 2025	$0.20	1,400,000	-	4.45
November 24, 2025	$0.22	735,000	-	4.74
		3,735,000	1,600,000	4.06

The weighted average remaining contractual life of stock options outstanding at February 28, 2021 was 4.06 years (February 29, 2020 - 4.41 years).

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS (CONTINUED)

b) Fair Value of Options Issued During the Periods Ended

The weighted average fair value at grant date of options granted during the period ended February 28, 2021 was $0.13 per option (February 29, 2020: $0.06 per option). The total fair value of options granted during the period was $285,653 (February 29, 2020: $96,619). During the year ended February 28, 2021, $226,460 (February 29, 2020: $96,619) of the options vested and were realized as share based payments. The fair value was determined using the Black-Scholes option-pricing model using the following assumptions:

	2021	2020
Expected stock price volatility	109% - 112%	121% - 122%
Risk-free interest rate	0.38% – 0.44%	1.20% – 1.38%
Dividend yield	-	-
Expected life of options	5 years	5 years
Stock price on date of grant	$0.15 - $0.22	$0.06
Forfeiture rate	-	-

8. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2021	2020
Statutory tax rate	27.00%	27.00%
	$	$
Income tax (recovery) at combined statutory rate	432,900	(112,100)
Non-deductible expenses and other items	(39,400)	23,800
Effect of foreign tax rates	(26,300)	3,200
Change in unrecognized deferred tax assets	49,600	85,100
Income tax expense	416,800	-

Income tax expense is comprised of:

	2021	2020
	$	$
Current income tax	197,000	-
Deferred income tax	219,800	-
Income tax expense	416,800	-

Significant components of the Company's unrecognized deferred tax assets (liabilities) are shown below:

	2021	2020
Marketable securities	(208,000)	-
Total deferred tax liabilities	(208,000)	-

(Expressed in Canadian Dollars)

8. INCOME TAXES (CONTINUED)

	2021	2020
Exploration and evaluation assets	-	20,600
Non-capital and capital loss carry-forwards	125,000	65,800
Share issuance costs	11,000	-
Total deferred income tax assets	136,000	86,400
Unrecognized deferred tax assets	(136,000)	(86,400)
Net deferred tax assets	-	-

As at February 28, 2021, the Company has available for deduction against future taxable income non-capital losses of approximately $305,080 in Canada, which will expire between 2039 and 2041. As at February 28, 2021, the Company has non-capital losses of approximately $Nil to reduce future taxable income in the United States with an indefinite expiry period. The Company has available for deduction against future taxable capital gains net-capital losses of approximately $Nil which can be carried forward indefinitely.

9. RELATED PARTY TRANSACTIONS AND BALANCES

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company. Key management personnel compensation is comprised of the following:

	2021 $	2020 $
Short-term employee benefits and director fees	265,106	188,856
Share-based payments	182,762	72,449
	447,868	261,305

The Company has entered into an Officer and Consulting Agreement with a company controlled by the President effective September 1, 2019 for no fixed term. As compensation for the services to be provided, the company controlled by the President will receive a monthly fee of US $10,000 with provisions for severance of twelve months of compensation in the event the Company terminates the Agreement by reason of a change of control. During the year ended February 28, 2021, the Company paid $172,058 (February 29, 2020: $159,063) in fees to the company controlled by the President.

The Company has entered into an Employment Agreement with the Chief Financial Officer and Corporate Secretary effective January 4, 2021 for no fixed term. As compensation for the services to be provided, the CFO will receive a monthly salary of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the CFO resigns within 12 months following a change of control. During the year ended

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

a) Key Management Compensation (continued)

February 28, 2021, the Company paid $21,000 (February 29, 2020: $6,468) in salary and benefits to the CFO.

The Company had entered into a Consulting Services Agreement with a company of which the former Chief Financial Officer is an owner and director dated January 6, 2020. As compensation for the services to be provided, the company received a monthly fee of $4,000. The former Chief Financial Officer resigned on January 4, 2021 and the agreement was terminated. During the year ended February 28, 2021, the Company recorded $44,000 (February 29, 2020: $6,070) in accounting services and consulting fees payable to the company.

During the year ended February 28, 2021, the Company recorded $32,049 (February 29, 2020: $16,297) in consulting fees and benefits payable to a company controlled by the Chairman and director.

b) Service Agreement

The Company had entered into a Contract for Services with a significant shareholder with a common director for an eight month term from May 1, 2019 until termination on December 31, 2019 for compensation of $5,000 per month. During the year ended February 28, 2021, the Company recorded $nil (2020: $40,000) in consulting fees payable to the shareholder.

c) Debt Settlement

On September 19, 2019, the Company settled $22,500 in amounts owing to a significant shareholder with a common director through the issuance of 300,000 common shares at a price of $0.075 per share as described in Note 6(a).

On June 26, 2019, the Company extended a non-interest bearing demand loan of $26,506 to an arm’s length party, which receivable was guaranteed by a significant shareholder with a common director. On February 29, 2020, the shareholder took assignment of the receivable in return for the settlement of $26,250 in accrued fees owing to it.

e) Private Placements

In connection with the private placement that closed on June 3, 2019, one insider of the Company purchased a total of 500,000 common shares for total proceeds of $37,500. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on September 16, 2019, two insiders of the Company purchased a total of 455,000 common shares for total proceeds of $34,125. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on February 7, 2020, two insiders of the Company purchased a total of 272,500 common shares for total proceeds of $40,875. The terms

9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

e) Private Placements (continued)

and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on June 18, 2020, one insider of the Company purchased a total of 100,000 common shares for total proceeds of $15,000. The terms and conditions offered to the related party in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on September 28, 2020, three insiders of the Company purchased a total of 390,000 common shares for total proceeds of $85,800. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

In connection with the private placement that closed on February 11, 2021, four insiders of the Company purchased a total of 410,000 subscription receipts for total proceeds of $143,500. The terms and conditions offered to the related parties in this transaction are identical to those offered to non-related common shareholders.

f) Due to Related Party

As at February 28, 2021, the Company has $22,910 (February 29, 2020: $33,659) due to related parties which consists of amounts owed to directors, officers and significant shareholders for salaries, fees, advances and expense reimbursements, which is due on demand, unsecured and is non-interest bearing.

g) Sale of Exploration and Evaluation Assets

On February 23, 2021, a private company controlled by directors of the Company exercised the option to purchase the Bob Creek property as described in Note 5(b)(vi).

On February 23, 2021, a private company controlled by directors of the Company exercised the option to purchase the Danny Boy property as described in Note 5(b)(vii).

On February 23, 2021, a private company controlled by directors of the Company exercised the option to purchase the Ziggurat property as described in Note 5(b)(viii).

On February 23, 2021, a private company controlled by directors of the Company exercised the option to purchase the Keg property as described in Note 5(d).

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair values

The Company’s financial instruments include cash and trade and other payables. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Fair values (continued)

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	February 28, 2021		February 29, 2020	
	Fair Value $	Carrying Value $	Fair Value $	Carrying Value $
FVTPL assets (i)	7,426,377	7,426,377	368,309	368,309
Amortized cost liabilities (ii)	471,026	471,026	56,745	56,745

(i) Cash, restricted cash and marketable securities
(ii) Trade and other payables and income taxes payable

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

As at February 28, 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	4,401,752	-	-	4,401,752
Marketable securities	3,024,625	-	-	3,024,625

The Company believes the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.

Credit risk

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk, the Company only holds its cash with high credit chartered Canadian financial institutions. As at February 28, 2021, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables and income taxes payable. The Company has a working capital surplus of $7,145,799 as at February 28, 2021 and does not require additional financing for operations and to meet its current obligations. The Company handles its liquidity risk through the management of its capital structure as described in Note 10. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities as at February 28, 2021:

	Carrying Amount $	Contractual Cash Flows $	Within 1 year $	Within 2 years $	Within 3 years $	Over 3 years $
Trade and other payables	283,288	283,288	283,288	-	-	-
Income taxes payable	187,738	187,738	187,738	-	-	-

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no variable interest bearing debt. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The results of the Company's operations are exposed to currency fluctuations. To date, the Company has raised funds entirely in Canadian dollars. The majority of the Company's exploration property expenditures will be incurred in United States dollars. A change in the foreign exchange rate as at February 28, 2021 of +/- 10% would have an impact of $14,743 on net income.

11. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its exploration and evaluation assets, pursue the acquisition and exploration of other mineral interests, and to maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in Equity to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash and cash equivalents.

(Expressed in Canadian Dollars)

12. NON-CASH TRANSACTIONS

Non-cash Financing and Investing Activities	Year ended February 28, 2021 $	Year ended February 29, 2020 $
Shares issued for debt settlement	-	22,500
Shares issued for Crane Creek	44,000	-

13. SEGMENTED INFORMATION

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in the United States:

	February 28, 2021			February 28, 2020		
	Canada $	USA $	Total $	Canada $	USA $	Total $
Current assets	7,338,116	278,709	7,616,825	321,400	51,050	372,450
Exploration and evaluation assets	-	1,451,151	1,451,151	-	708,853	708,853
Total assets	7,338,116	1,729,860	9,067,976	321,400	759,903	1,081,303
Total liabilities	217,414	461,943	679,357	35,621	40,623	76,244

14. SUBSEQUENT EVENTS

a) Management Compensation

The Company has entered into a Management Agreement with a company controlled by the President and Chief Executive Officer effective March 1, 2021 for no fixed term. As compensation for the services to be provided, the company controlled by the President will receive a monthly fee of US $13,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the President resigns within 12 months following a change of control.

The Company has entered into a Management Agreement with a company controlled by the Executive Chairman effective March 1, 2021 for no fixed term. As compensation for the services to be provided, the company controlled by the Chairman will receive a monthly fee of $5,000 with provisions for severance of six months of compensation in the event the Company terminates the Agreement without cause; three months of compensation in the event of constructive dismissal; and 24 months of compensation in the event the Company terminates the Agreement without cause or the Chairman resigns within 12 months following a change of control.

The Company has approved the payment of a director’s fee of $1,000 per month to two directors and $2,000 per month to a director who serves as chair of the Audit Committee, effective March 1, 2021.

14. SUBSEQUENT EVENTS (CONTINUED)

b) Conversion of Subscription Receipts

On June 8, 2021, the Company satisfied the conditions set by the CSE, as described in note 6 (v), and the 11,629,212 subscriptions receipts were converted into common shares of the Company.