HEADWATER GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021

(Expressed in Canadian Dollars)

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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, 2022 and 2021, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, 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, 2022 and 2021, and its financial performance and its cash flows for the years then 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 27, 2022

HEADWATER GOLD INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	February 28, 2022 $	February 28, 2021 $
Assets			
Current assets			
Cash		1,276,891	326,410
Restricted cash	9	5,030	4,075,342
Marketable securities	4	777,291	3,024,625
Amounts and other receivable	12	35,619	3,050
Prepaid expenses and deposits		45,897	3,782
Deferred share issuance costs	9	-	183,616
		2,140,728	7,616,825
Non-current assets			
Office lease	8	94,783	-
Deposits	5	133,329	-
Equipment	6	46,030	-
Exploration and evaluation assets	7	3,361,924	1,451,151
Total assets		5,776,794	9,067,976
Liabilities			
Current liabilities			
Trade and other payables	12	159,291	283,288
Income taxes payable		-	187,738
Lease liability	8	77,932	-
		237,223	471,026
Non-current liabilities			
Lease liability	8	32,468	-
Deferred income taxes payable	11	-	208,331
Total liabilities		269,691	679,357
Equity			
Share capital	9	7,183,585	3,296,978
Subscription receipts	9	-	4,070,224
Reserves	9	717,347	323,079
Accumulated other comprehensive loss		(97,035)	(68,243)
Retained earnings (deficit)		(2,296,794)	766,581
		5,507,103	8,388,619
Total liabilities and equity		5,776,794	9,067,976

Nature of operations and going concern (Note 1)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on June 27, 2022 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, 2022 $	Year ended February 28, 2021 $
Expenses			
Accounting and audit		92,941	69,936
Accretion of office lease liability	8	11,287	-
Consulting		96,740	45,929
Depreciation	6, 8	67,461	-
Filing fees		56,234	7,176
General exploration		97,919	73,183
Investor communication		160,309	22,003
Legal		53,261	9,056
Management		205,123	91,157
Office		90,441	83,686
Salaries and benefits		119,993	17,546
Share-based payments		318,655	191,860
Travel		8,567	18,604
Total expenses		(1,378,931)	(630,136)
Other income (expenses)			
Finance and interest income		7,969	2,783
Finance expense		(6,666)	-
Foreign exchange gain (loss)		112,148	(78,195)
Gain on sale of exploration and evaluation assets	7	-	2,426,296
Impairment of exploration and evaluation assets	7	(492,404)	(6,605)
Unrealized loss on investments	4	(1,502,066)	(110,931)
Loss on disposal of investments	4	(8,408)	-
Total other income (expenses)		(1,889,427)	2,233,348
Income (loss) before tax		(3,268,358)	1,603,212
Income tax expense	11	(769)	(197,476)
Deferred income tax recovery (expense)	11	205,752	(219,137)
Net income (loss)		(3,063,375)	1,186,599
Other comprehensive loss			
Items that may be reclassified to comprehensive loss:			
Cumulative translation adjustment		(28,792)	(62,925)
Comprehensive income (loss)		(3,092,167)	1,123,674
Income (loss) per common share, basic		(0.07)	0.04
Weighted average number of common shares outstanding, basic		46,540,937	33,350,259
Income (loss) per common share, diluted		(0.07)	0.03
Weighted average number of common shares outstanding, diluted		46,540,937	34,188,532

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

HEADWATER GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital $	Subscription Receipts and Share Subscriptions $	Reserves $	Accumulated Other Comprehensive Loss $	Accumulated Deficit $	Total $
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
Shares issued for subscription receipts placement	11,629,212	4,070,224	(4,070,224)	-	-	-	-
Share issue costs	-	(183,617)	-	-	-	-	(183,617)
Share-based payments	-	-	-	394,268	-	-	394,268
Net loss	-	-	-	-	-	(3,063,375)	(3,063,375)
Other comprehensive loss	-	-	-	-	(28,792)	-	(28,792)
Balance, February 28, 2022	49,567,718	7,183,585	-	717,347	(97,035)	(2,296,794)	5,507,103

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

HEADWATER GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	February 28, 2022 $	February 28, 2021 $
Operating activities		
Net income (loss)	(3,063,375)	1,186,599
Items not involving cash:		
Accretion of office lease liability	11,287	-
Depreciation	67,461	-
Foreign exchange	(73,764)	38,007
Loss on sale of investments	8,408	-
Unrealized loss on investments	1,502,066	110,931
Share-based payments	318,655	226,460
Impairment of exploration and evaluation assets	492,404	6,605
Gain on sale of exploration and evaluation assets	-	(2,426,296)
Deferred income taxes payable	(205,752)	219,137
Changes in non-cash working capital accounts:		
Amounts and other receivable	(32,552)	(1,756)
Prepaid expenses and deposits	(42,067)	(1,149)
Trade and other payables	41,663	5,644
Income taxes payable	(185,414)	197,476
Cash used in operating activities	(1,160,980)	(438,342)
Investing activities		
Expenditures on exploration and evaluation assets	(2,284,660)	(1,218,662)
Redemption (purchase) of term deposits	750,000	(750,000)
Purchase of equipment	(57,395)	-
Deposit for surety bond	(131,544)	-
Proceeds from sale of exploration and evaluation assets	-	467,005
Cash used in investing activities	(1,723,599)	(1,501,657)
Financing activities		
Proceeds from share issuances	-	1,971,350
Subscription receipts and share subscriptions received	-	4,070,224
Share issuance costs	(182,204)	(53,562)
Lease payments	(51,425)	-
Cash provided by (used in) financing activities	(233,629)	5,988,012
Effect of foreign exchange on cash	(1,623)	(14,570)
Increase (decrease) in cash	(3,119,831)	4,033,443
Cash, beginning of year	4,401,752	368,309
Cash, end of year	1,281,921	4,401,752
Supplemental information		
Cash	1,276,891	326,410
Restricted cash	5,030	4,075,342
	1,281,921	4,401,752
Interest paid	-	-
Income taxes paid	198,245	-

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, 2022, 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 of $5,030 (2021: $5,025) and subscription receipt funds of $nil (2021: $4,070,317) held in escrow.

f) Leases

The Company recognizes lease liability related to its lease commitments for its office lease. The lease liability is measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate. The associated right-of-use asset will be measured at the amount of the lease liability.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Leases (continued)

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

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
Office furniture and equipment	30% declining balance basis

h) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) 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.

j) 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial Instruments (continued)

Cash, restricted 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 method.

- 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 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, restricted cash and marketable securities at FVTPL.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial Instruments (continued)

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.

k) 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.

l) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) 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
- 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) 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.

o) 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, 2022 does not include options outstanding as the inclusion of the amounts would reduce the loss per share amount and are therefore anti-dilutive. 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 10.

p) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Share-based Payments (continued)

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.

q) 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.

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.

r) 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, 2021. 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.

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.

(Expressed in Canadian Dollars)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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 10.

4. MARKETABLE SECURITIES

Short-term investments consist of term deposits and marketable securities. As at February 28, 2022 and 2021, the fair values of the short-term investments are as follows:

	February 28, 2022		February 28, 2021	
	Fair Value ($)	**Cost ($)**	**Fair Value ($)**	**Cost ($)**
Term deposits	-	-	750,000	750,000
Shares in Elevation Gold (a) and Huntsman (b)	777,291	2,266,450	2,274,625	2,380,250
	777,291	2,266,450	3,024,625	3,130,250

a) Elevation 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 former public company listed for trading on the TSX Venture Exchange ("TSXV"), which were recorded at market value of $310,000 (Note 7(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. On June 15, 2021, the Company received 545,000 common shares of Northern Vertex in exchange for its 500,000 common shares of Eclipse and recorded a loss on disposal of $8,175.

Effective September 24, 2021, Northern Vertex consolidated its common shares on a six (6) old for one (1) new basis and changed its name to Elevation Gold Mining Corporation ("Elevation Gold"). The Company's investment of 545,000 common shares of Northern Vertex were exchanged for 90,833 shares of Elevation Gold.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES (CONTINUED)

a) Elevation Gold Mining Corporation (continued)

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
Proceeds on disposal	(500,000)	(196,200)
Loss on disposal	-	(8,175)
Balance, February 28, 2022	-	-

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

	Number of shares	Fair value $
Balance, February 29, 2020 and 2021	-	-
Elevation Gold shares received on June 15, 2021	90,833	196,200
Unrealized loss	-	(137,159)
Balance, February 28, 2022	90,833	59,041

b) 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 7(a)). The shares were 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
Unrealized loss	-	(1,352,000)
Balance, February 28, 2022	8,450,000	718,250

(Expressed in Canadian Dollars)

5. DEPOSITS

The Company has established a surety bonding arrangement with a third party (the "Surety Agent") under which 50% of the Company's reclamation bonding obligations will be replaced by deposits made by the Surety Agent. A finance fee of 2.5% will be charged on the balance of the amounts advanced and deposited by the Surety Agent.

During the year ended February 28, 2022, the Company advanced US $105,000 (CAD$133,329) to the Surety Agent as collateral against US $210,000 in bonding that was placed by the Surety Agent. The bonds were executed to provide state-wide coverage for operations conducted by the Company on its mining claims in Nevada and Oregon. The bond deposit is returnable to the Company only after the government agencies are satisfied that there is no outstanding reclamation liability associated with the land or after the bond is replaced by another bond.

6. EQUIPMENT

	Computer Equipment $	Furniture & Equipment $	Field Equipment $	Total $
Cost				
Balance at February 28, 2021	-	-	-	-
Acquired	5,260	20,682	31,251	57,193
Foreign exchange	-	-	628	628
Balance at February 28, 2022	5,260	20,682	31,879	57,821
Depreciation				
Balance at February 28, 2021	-	-	-	-
Depreciation	912	4,529	6,295	11,736
Foreign exchange			55	55
Balance at February 28, 2022	912	4,529	6,350	11,791
Carrying amounts				
At February 28, 2021	-	-	-	-
At February 28, 2022	4,348	16,153	25,529	46,030

(Expressed in Canadian Dollars)

7. 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 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
Additions	85,516	299,570	57,569	-	442,655
Impairment	-	(93,448)	(8,267)	-	(101,715)
Foreign exchange	1,815	3,226	1,385	-	6,426
Balance, February 28, 2022	419,786	465,901	246,287	-	1,131,974
Exploration costs					
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
Additions					
Administration	21,145	34,409	23,351	-	78,905
Drilling	19,299	526,493	717,914	-	1,263,706
Geology	126,393	203,412	192,080	-	521,885
Mapping, sampling, geochem	8,411	29,289	-	-	37,700
Technical review	8,294	13,606	9,061	-	30,961
	183,542	807,209	942,406	-	1,933,157
Impairment	-	(370,821)	(19,868)	-	(390,689)
Foreign exchange	2,308	8,320	10,311	-	20,939
Balance, February 28, 2022	368,801	607,905	1,253,244	-	2,229,950
Total acquisition costs and exploration expenditures					
February 28, 2021	515,406	419,750	515,995	-	1,451,151
February 28, 2022	788,587	1,073,806	1,499,531	-	3,361,924

7. 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.

(ii) Opaline Gulch Property - Opaline Gulch is comprised of 31 mineral claims totalling approximately 259 hectares located in Owyhee County, Idaho.

(iii) Crane Creek Property – Crane Creek is comprised of 135 mineral claims totalling approximately 1,129 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 ("NSR") royalty which the Company may purchase for US $1,000,000 at any time. State Mineral Lease E500007 expired on February 28, 2021. The Company has acquired a fresh lease in its place: State Mineral Lease E500034 with a twenty year term, beginning March 1, 2021 and terminating February 28, 2041.

Pursuant to a 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 NSR 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 - 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% NSR 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.

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 786 hectares located in Humboldt County, Nevada.

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Properties (continued)

(ii) Midas North Property – Midas North (formerly known as Castle Ridge) is comprised of 199 mineral claims totalling approximately 1,611 hectares located in Elko County, Nevada. The Company had elected not to maintain certain of the claims and accordingly $30,669 in acquisition costs connected to the claims were written off during the year ended February 28, 2022.

(iii) Dome Hill Property - Dome Hill is comprised of 50 mineral claims totalling approximately 411 hectares located in Mineral County, Nevada and Mono County, California.

(iv) Long Valley Property – Long Valley is comprised of 37 mineral claims totalling approximately 309 hectares located in Mineral County, Nevada. The Company had elected not to maintain certain of the claims and accordingly $4,771 in acquisition costs connected to the claims were written off during the year ended February 28, 2022.

(v) Como Property - 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 NSR 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) Pursuant to option agreements dated October 1, 2020, the Company sold its interests in certain non-core mineral claims located in Nevada and Utah to a private company with common directors for US $150,000 and realized a gain on disposal of exploration and evaluation assets of $17,694 during the year ended February 28, 2021. Each of the properties disposed are subject to a 0.5% net 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 Company holds an option to acquire up to 100% interest in a mineral project in Nevada.

(vii) Spring Peak Property – The Company has entered into an Option to Purchase Agreement (the "Agreement") dated July 12, 2021 to acquire a 100% interest, subject to retained royalties, in the Spring Peak epithermal gold/silver project (the "Property") located in Nevada from Renaissance Exploration Inc. ("REI"), a wholly owned subsidiary of Orogen Royalties Inc.

Pursuant to the Agreement and in order to exercise the option to acquire a 100% interest in the Property, the Company shall make the following payments:

(i) Pay US$10,000 upon signing the Agreement (paid);

(ii) Incur US$250,000 in exploration expenditures within 24 months of execution of the Agreement;

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Properties (continued)

(iii) Pay US$250,000 upon receipt of final approval from the United States Forest Service of the Company's full Plan of Operations for exploration, which sum may be paid in common shares of the Company at the Company's election;

(iv) Grant to REI a 0.5% NSR royalty of which the Issuer shall have the right of first offer to purchase the NSR if REI elects to sell it;

(v) Grant to REI the option to purchase an additional 0.5% royalty for US$1,000,000, exercisable prior to the commencement of commercial production; and

(vi) Pay all costs and payments due and payable under the Underlying Kuzma Mining Lease and Option to Purchase Agreement dated January 20, 2012, as amended September 5, 2013 and April 12, 2016, as follow:

1) Pay annual lease payments on or before the anniversary of the receipt of approval of a notice of intent to operate or a plan of operations for drilling from the United States Forest Service (the "Permit Date", December 1, 2019) as follow:

- Second anniversary of Permit Date: US$40,000 (paid);
- Third through eleventh anniversaries of Permit Date: US$50,000;
- Twelfth through fifteenth anniversaries of Permit Date: US$60,000;
- Sixteenth and each succeeding anniversary of Permit Date: US$60,000, as adjusted for inflation;

2) Pay US$500,000 to exercise the Option at any time within one year after the completion of a Technical Report complying with NI 43-101 standards which documents a minimum 500,000 ounce gold equivalent inferred resource on the Property; and pay a 2.5% NSR royalty of which the Issuer shall have the right to purchase 1.5% of the NSR for US$1,500,000.

The Company has acquired 100% interest in an additional 114 mineral claims totalling approximately 923 hectares through staking.

(viii) Highland Property - The Company had entered into an Exploration and Option to Enter Joint Venture Agreement (the "Agreement") dated June 29, 2021 to earn up to a 100% interest in the Highland gold/silver project (the "Property"), located in Lander County, Nevada, from Bravada Gold Corporation together with its wholly owned subsidiary Rio Fortuna Exploration (U.S.), Inc. ("RFE"). The Property is subject to a 3% retained NSR royalty of which 1% of the NSR may be purchased for US$1,000,000 at any time prior to the commencement of commercial production.

Pursuant to the Agreement and in order to acquire up to a 100% interest in the Property, the Company shall perform the following obligations:

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) Nevada Properties (continued)

Option Stage 1 – Initial Earn-In Obligation to acquire a 51% interest in the Property:

(i) Pay US$10,000 upon execution of the Agreement (paid);

(ii) Make all payments due under the Underlying Agreement including annual advance minimum royalty ("AMR") payments starting at US$30,000 due November 1, 2021 and increasing by US$5,000 increments to a maximum of US$50,000;

(iii) RFE has paid approximately US$580,000 in AMR that will be credited against royalty payments following the commencement of production; and

(iv) Incur US$5,000,000 in exploration expenditures over five years of which US$250,000 is incurred within 18 months.

Upon completion of the Initial Earn-In Obligation, the parties shall form a joint venture for the management and ownership of the Property.

Option Stage 2 – Additional Earn-In Obligation to acquire an additional 24% interest in the Property to bring the Company's ownership interest to 75%:

(i) Within 60 days following completion of the Earn-In Obligation, pay US$250,000 of which up to US$125,000 may be paid in common shares of the Company; and

(ii) Incur an additional US$5,000,000 in exploration expenditures over four years.

Option Stage 3 – Final Earn-In Option to acquire an additional 25% interest in the Property to bring the Company's ownership interest to 100%:

(i) The parties shall negotiate in good faith the purchase price for RFE's participating interest. If the parties cannot agree on the purchase price for the Final Earn-In Option, the purchase price shall be the fair market value of RFE's 25% participating interest as determined by an independent expert.

The Company made the decision to terminate the option and provided notice to the Optionor on September 30, 2021. Accordingly, $428,829 in acquisition costs and related exploration costs connected to the claims were written off during the year ended February 28, 2022.

c) Oregon Properties

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

(i) Katey Property - Katey is comprised of 144 mineral claims totalling approximately 1,204 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.

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

c) Oregon Properties (continued)

(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. The Company had elected not to maintain the claims and accordingly $28,135 in acquisition costs and related exploration costs connected to the claims were written off during the year ended February 28, 2022.

8. OFFICE LEASE

The Company has entered into a lease for the rental of its office space for a two year term commencing August 1, 2021 that includes a rent-free period from May 1, 2021 to July 31, 2021 and free basic rent for the twelfth and twenty-fourth months. The Company recognized lease liability of $150,537 in the statement of financial position. The liability was measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of 10% for a 27 month term at the date of initial occupancy, May 1, 2021. The lease term matures on July 31, 2023.

For the year ended February 28, 2022, depreciation of the right-of-use asset was $55,755. The right-of-use asset is depreciated on a straight-line basis over the term of the lease. A summary of the Company's right-of-use asset balance at February 28, 2022 and 2021 and the changes for the years then ended is presented below:

	Right-of-use Asset $
Balance, February 29, 2020 and February 28, 2021	-
Additions	150,537
Depreciation	(55,755)
Balance, February 28, 2022	94,783

For the year ended February 28, 2022, interest expense on the lease liability was $11,287. A summary of the Company's lease liability at February 28, 2022 and 2021 and the changes for the years then ended is presented below:

	Lease Liability $
Balance, February 29, 2020 and February 28, 2021	-
Office lease liability recognized	150,537
Office lease payments	(51,424)
Accretion	11,287
Balance, February 28, 2022	110,400

(Expressed in Canadian Dollars)

8. OFFICE LEASE (CONTINUED)

	Lease Liability $
Current lease liability	77,932
Non-current lease liability	32,468
Balance, February 28, 2022	110,400

The Company expensed $34,830 (2021: $38,019) in short-term leases included in office expenses and recovered $40,172 (2021: $nil) in rental income from sub-tenants for the year ended February 28, 2022.

9. 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, 2022:

(i) On June 3, 2021, the Escrow Release Conditions for 11,629,212 subscription receipts (each, a "Subscription Receipt") issued on February 11, 2021 were met and the Subscription Receipts were converted into common shares. Finder's fees of $182,203 were paid on $3,036,725 of the private placement.

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

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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 7(a).

(vi) 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 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 was 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")

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (CONTINUED)

a) Common Shares (continued)

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 held by the Company in a separate interest-bearing account, with such Escrowed Funds not released until the satisfaction of the Escrow Release Conditions at which time the Escrowed Funds together with interest earned thereon were accessible by the Company.

b) Reserves

	February 28, 2022 $	February 28, 2021 $
Fair value of stock options granted or vested	717,347	323,079
Reserves	717,347	323,079

c) Escrow Shares

On April 9, 2021, the Company entered into an escrow agreement under which 20,089,167 common shares would be held in escrow and are scheduled for release as follows: 10% on the date the shares are listed on a Canadian exchange (the "listing date", June 8, 2021) and 15% will be released in 6, 12, 18, 24, 30 and 36 months thereafter.

As at February 28, 2022, the Company held 15,066,877 shares in escrow.

10. 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, 2022 and 2021 and the changes for the years then ended is presented below:

	February 28, 2022		February 28, 2021	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	3,735,000	$0.16	1,600,000	$0.10
Granted	1,220,000	$0.36	2,135,000	$0.21
Cancelled	(100,000)	$0.20	-	-
Ending balance	4,855,000	$0.21	3,735,000	$0.16

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS

a) Option Plan Details (continued)

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 December 31, 2021, 100,000 of these options were cancelled.

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 vested over a six month period.

On July 2, 2021, the Company granted 1,220,000 stock options exercisable at $0.36 per share to directors, officers, employees and consultants of the Company. The options vested over a six month period.

Details of stock options outstanding as at February 28, 2022 and 2021 are as follows:

Expiry Date	Exercise Price	February 28, 2022	February 28, 2021	Weighted Average Remaining Contractual Life (Years)
July 24, 2024	$0.10	1,500,000	1,500,000	2.40
September 1, 2024	$0.10	100,000	100,000	2.51
August 12, 2025	$0.20	1,300,000	1,400,000	3.45
November 24, 2025	$0.22	735,000	735,000	3.74
July 2, 2026	$0.36	1,220,000	-	4.34
		4,855,000	3,735,000	3.38

The weighted average remaining contractual life of stock options outstanding at February 28, 2022 was 3.38 years (2021 - 4.06 years).

b) Fair Value of Options Issued During the Years Ended

The weighted average fair value at grant date of options granted during the year ended February 28, 2022 was $0.275 per option (February 28, 2021: $0.13 per option). The total fair value of options granted during the year was $335,062 (February 28, 2021: $285,666). During the year ended February 28, 2022, $394,268 (February 28, 2021: $226,460) 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:

	February 28, 2022	February 28, 2021
Expected stock price volatility	107%	109% - 112%
Risk-free interest rate	0.98%	0.38% – 0.44%
Dividend yield	-	-
Expected life of options	5 years	5 years
Stock price on date of grant	$0.355	$0.15 - $0.22
Forfeiture rate	-	-

(Expressed in Canadian Dollars)

11. 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:

	2022	2021
Statutory tax rate	27.00%	27.00%
	$	$
Income tax (recovery) at combined statutory rate	(882,000)	432,900
Non-deductible expenses and other items	(103,983)	(39,400)
Effect of foreign tax rates	34,000	(26,300)
Change in unrecognized deferred tax assets	747,000	49,600
Income tax expense (recovery)	(204,983)	416,800

Income tax expense is comprised of:

	2022	2021
	$	$
Current income tax	769	197,000
Deferred income tax (recovery)	(205,752)	219,800
Income tax expense (recovery)	(204,983)	416,800

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

	2022	2021
	$	**$**
Marketable securities	-	(208,000)
Total deferred tax liabilities	-	(208,000)

	2022	2021
	$	**$**
Equipment	3,000	-
Exploration and evaluation assets	128,000	-
Leases	4,000	-
Marketable securities	392,000	-
Non-capital loss carry-forwards	348,000	125,000
Share issuance costs	8,000	11,000
Total deferred income tax assets	883,000	136,000
Unrecognized deferred tax assets	(883,000)	(136,000)
Net deferred tax assets	-	-

As at February 28, 2022, the Company has available for deduction against future taxable income non-capital losses of approximately $889,000 in Canada, which will expire between 2039 and 2042. As at February 28, 2022, the Company has non-capital losses of approximately $422,000 to reduce future taxable income in the United States with an indefinite expiry period.

(Expressed in Canadian Dollars)

12. 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:

	2022 $	2021 $
Short-term employee benefits and director fees	375,883	265,106
Share-based payments	264,054	182,762
	639,937	447,868

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. During the year ended February 28, 2022, the Company paid $195,462 (2021: $172,058) in fees to the company controlled by the President.

The Company has entered into a Management Agreement with a company controlled by the 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. During the year ended February 28, 2022, the Company paid $62,303 (2021: $32,049) in fees and benefits to the company controlled by the Chairman.

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.

12. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

a) Key Management Compensation (continued)

On January 1, 2022, the Company entered into a new Employment Agreement with the CFO effective January 1, 2022 for no fixed term. As compensation for the services to be provided, the CFO will receive a performance bonus of $6,000 and a monthly salary of $6,500 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 February 28, 2022, the Company paid $70,119 (2021: $21,000) in salary and benefits to the CFO.

During the year ended February 28, 2022, the Company recorded $48,000 (2021: $nil) in director fees payable to three directors.

b) Private Placements

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.

c) Related Party Payables

As at February 28, 2022, the Company has $39,979 (2021: $22,910) due to related parties which consists of amounts owed to directors, officers, companies with common directors and significant shareholders for salaries, fees, advances and expense reimbursements, which are due on demand, unsecured and are non-interest bearing.

d) Related Party Receivables

As at February 28, 2022 the Company has $9,829 (2021: $nil) receivable from companies with common directors for rent and office overhead expense recoveries, which are due on demand, unsecured and are non-interest bearing.

e) Sale of Exploration and Evaluation Assets

On February 23, 2021, a private company with common directors exercised options to purchase certain non-core mineral claims as described in Note 7(b).

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Fair values

The Company's financial instruments include cash, restricted cash, marketable securities 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.

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

	February 28, 2022		February 28, 2021	
	Fair Value $	Carrying Value $	Fair Value $	Carrying Value $
FVTPL assets (i)	2,059,212	2,059,212	7,426,377	7,426,377
Amortized cost liabilities (ii)	242,191	242,191	471,026	471,026

(i) Cash, restricted cash and marketable securities
(ii) Trade and other payables and lease liability

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, 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Cash	1,281,921	-	-	1,281,921
Marketable securities	777,291	-	-	777,291

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, 2022, 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, income taxes payable and lease liability. The Company has a working capital surplus of $1,903,505 as at February 28, 2022 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 14. All of the Company's financial liabilities are due on demand, do not generally bear interest and are subject to normal trade terms.

13. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (CONTINUED)

The following are the contractual maturities of financial liabilities as at February 28, 2022:

	Carrying Amount $	Contractual Cash Flows $	Within 1 year $	Within 2 years $	Within 3 years $	Over 3 years $
Trade and other payables	131,791	131,791	131,791	-	-	-
Income taxes payable	-	-	-	-	-	-
Lease liability	110,400	110,400	77,932	32,468	-	-

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.

14. 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)

15. 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, 2022			February 28, 2021		
	Canada $	USA $	Total $	Canada $	USA $	Total $
Current assets	1,999,411	141,317	2,140,728	7,338,116	278,709	7,616,825
Equipment and office lease	115,284	25,529	140,813	-	-	-
E&E assets	-	3,361,924	3,361,924	-	1,451,151	1,451,151
Deposits	-	133,329	133,329	-	-	-
Total assets	2,114,695	3,662,099	5,776,794	7,338,116	1,729,860	9,067,976
Total liabilities	174,611	303,624	478,235	217,414	461,943	679,357