CLARITY GOLD CORP.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CLARITY GOLD CORP.

Opinion

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021 and has not yet commenced revenue producing operations. As stated in Note 1 to the financial statements, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 to the financial statements which indicates that the comparative information presented as at and for the years ended December 31, 2020 and January 1, 2020 have been adjusted to reflect that the Company has elected to change its method of accounting for its exploration costs.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our 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, and remain alert for indications that the other information appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

Smythe LLP | **smythecpa.com**

Vancouver
1700 - 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
600 - 19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 - 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our 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 audit resulting in this independent auditors' report is Kevin Yokichi Nishi.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 31, 2022

Smythe LLP | smythecpa.com

Vancouver
1700 - 475 Howe St
Vancouver, BC V6C 2B3
T: 604 687 1231
F: 604 688 4675

Langley
600 - 19933 88 Ave
Langley, BC V2Y 4K5
T: 604 282 3600
F: 604 357 1376

Nanaimo
201 - 1825 Bowen Rd
Nanaimo, BC V9S 1H1
T: 250 755 2111
F: 250 984 0886

CLARITY GOLD CORP.
STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at	December 31, 2021	December 31, 2020 *(Restated – Note 3)*	January 1, 2020 *(Restated – Note 3)*
ASSETS			
CURRENT ASSETS			
Cash	$ 2,750,286	$ 48,162	$ 145,451
Receivables and prepaid expenses (Notes 4, 11)	199,604	602,593	4,022
	2,949,890	**650,755**	**149,473**
NON-CURRENT ASSETS			
Exploration and evaluation assets (Note 5)	552,013	857,013	10,000
Right of use asset (Note 9)	-	40,322	-
TOTAL ASSETS	**3,501,903**	**1,548,090**	**159,473**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities (Notes 6,11)	161,996	630,246	125,726
Flow-through liability (Note 8)	380,637	-	-
Lease liability (Note 9)	-	24,805	-
	542,633	**655,051**	**125,726**
NON-CURRENT LIABILITIES			
Lease liability (Note 9)	-	16,303	-
TOTAL LIABILITIES	**542,633**	**671,354**	**125,726**
SHAREHOLDERS' EQUITY			
Share capital (Note 7)	10,033,096	2,094,840	154,245
Reserves (Note 7)	1,464,524	835,710	-
Accumulated deficit	(8,538,350)	(2,053,814)	(120,498)
	2,959,270	**876,736**	**33,747**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 3,501,903**	**$ 1,548,090**	**$ 159,473**

Approved on behalf of the Board of Directors on March 31st, 2022:

"Andrew Male" Director — Andrew Male

"Rose Zanic" Director — Rose Zanic

The accompanying notes are integral to these financial statements

CLARITY GOLD CORP.
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

For the years ended	December 31, 2021	December 31, 2020 *(Restated – Note 3)*
EXPENSES		
Accretion (Note 9)	$ 3,242	$ 1,950
Consulting fees (Note 11)	371,635	360,243
Depreciation (Note 9)	26,184	10,611
Exploration expenditures (Notes 5, 11)	2,311,961	81,099
Foreign exchange loss	1,063	-
Investor relations	204,765	251,088
Marketing	1,194,977	269,102
Office and administration	88,477	52,973
Professional fees (Note 11)	336,124	113,117
Registration and filing fees	16,752	38,445
Shareholder communications	19,951	27,523
Share-based compensation (Notes 7, 11)	444,055	722,550
Transfer agent	4,989	4,615
Travel	7,334	-
Loss from operations	(5,031,509)	(1,933,316)
Other expenses/income		
Gain on lease cancellation	1,690	-
Recovery of flow-through premium (Note 8)	420,581	-
Termination of option agreement (Note 5)	(1,912,525)	-
Loss and comprehensive loss for the year	$ (6,521,763)	$ (1,933,316)
Basic and diluted loss per share	**$ (0.24)**	**$ (0.13)**
Weighted average number of common shares outstanding- basic and diluted	**27,360,699**	**15,122,742**

The accompanying notes are integral to these financial statements

CLARITY GOLD CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Share Capital				
	Number of shares	Amount	Reserves	Deficit	Total
Balance, January 1, 2020 *(Restated – Note 3)*	9,650,000	$ 154,245	$ -	$ (120,498)	$ 33,747
Shares issued for cash	9,458,000	1,894,900	-	-	1,894,900
Shares issued for exercised agent options	13,500	2,363	-	-	2,363
Fair value reclassification pursuant to exercised agent options	-	1,233	(1,233)	-	-
Share issue costs	-	(318,508)	-	-	(318,508)
Shares issued for acquisition of exploration and evaluation assets	1,250,000	475,000	-	-	475,000
Share-based compensation	-	-	722,550	-	722,550
Fair market value of issued agent options	-	(114,393)	114,393	-	-
Net loss for the year	-	-	-	(1,933,316)	(1,933,316)
Balance, December 31, 2020 *(Restated – Note 3)*	20,371,500	$ 2,094,840	$ 835,710	$ (2,053,814)	$ 876,736
Shares issued for cash	6,785,701	8,342,693	-	-	8,342,693
Shares issued for exercised warrants	300,000	105,000	-	-	105,000
Shares issued for exploration and evaluation assets	685,391	1,007,525	-	-	1,007,525
Share issue costs	-	(493,758)	-	-	(493,758)
Flow-through premium	-	(801,218)	-	-	(801,218)
Share-based compensation	-	-	444,055	-	444,055
Fair market value of issued agent options	-	(221,986)	221,986	-	-
Recovery on cancellation of stock options			(37,227)	37,227	-
Net loss for the year	-	-		(6,521,763)	(6,521,763)
Balance, December 31, 2021	28,142,592	$ 10,033,096	$ 1,464,524	$ (8,538,350)	$ 2,959,270

The accompanying notes are integral to these financial statements

CLARITY GOLD CORP.
STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	For the year ended December 31, 2021	For the year ended December 31, 2020 *(Restated – Note 3)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (6,521,763)	$ (1,933,316)
Add items not affecting cash:		
Accretion	3,242	1,950
Depreciation	26,184	10,611
Share-based compensation	444,055	722,550
Gain on lease cancellation	(1,690)	-
Recovery of flow-through premium	(420,581)	-
Termination of option agreement	1,912,525	-
Non-cash working capital changes:		
Receivables and prepaid expenses	402,989	(598,571)
Accounts payable and accrued liabilities	(468,250)	249,520
Net cash used in operating activities	**(4,623,289)**	**(1,547,256)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease liability payments	(28,522)	(11,775)
Shares issued for cash	8,342,693	1,894,900
Shares issued for exercised warrants	105,000	2,363
Share issue costs	(493,758)	(318,508)
Net cash provided by financing activities	**7,925,413**	**1,566,980**
CASH FLOWS FROM INVESTING ACTIVITY		
Exploration and evaluation assets	(600,000)	(117,013)
Net cash used in investing activity	**(600,000)**	**(117,013)**
Increase in cash during the year	**2,702,124**	**(97,289)**
Cash, beginning of the year	**48,162**	**145,451**
Cash, end of the year	$ **2,750,286**	$ **48,162**

Note 13 – Supplemental disclosures with respect to cash flows.

The accompanying notes are integral to these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Clarity Gold Corp. (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on September 11, 2019. The Company's head office and registered office are located at Suite 1680, 355 Burrard Street, Vancouver, British Columbia, V6C 2G8.

On June 25, 2020, the Company completed its initial public offering ("IPO") by issuing 6,900,000 common shares at $0.175 per share for gross proceeds of $1,207,500. On June 29, 2020, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the trading symbol "CLAR". On July 1, 2020, the Company's common shares commenced trading on the OTC Pink Sheets Market under the trading symbol "CLGCF".

The Company is a Canadian mineral exploration company focused on the acquisition, exploration and development of gold projects in Canada.

The Company is currently evaluating its exploration and evaluation assets and has not determined whether its projects contain reserves that are economically recoverable. The recoverability of amounts recorded for the exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves. The Company's future capital requirements depend on many factors, including costs of exploration and development of the exploration and evaluation assets, cash flow from operations, costs to complete additional exploration, competition and global market conditions. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The Company incurred a net loss and comprehensive loss of $6,521,763 for the year ended December 31, 2021 (2020 - $1,933,316) and a deficit of $8,538,350 (2020 - $2,053,814) and is expected to incur further losses in the development of its business, all of which may cast significant doubt about its ability to continue as a going concern. As at December 31, 2021, the Company had a working capital of $2,787,895 (2020 - deficiency of $4,296). These statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Company continues to operate its business at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, results of operations, financial position, and cash flows in 2022. As of the date of this report, COVID-19 has had no impact on the Company's ability to access and explore its current properties but may impact the Company's ability to raise money or explore its properties should travel restrictions currently in effect in B.C. due to COVID-19 be extended or expanded in scope.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) Statement of compliance to International Financial Reporting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These financial statements were approved and authorized for issuance by the Board of Directors on March 31, 2022.

b) Basis of presentation

These financial statements are prepared on a historical cost basis, except for certain financial instruments classified as financial instruments at fair value through profit or loss, which are stated at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

c) Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of expenses during the reporting year. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances; however, actual outcomes can differ from these estimates.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities included in the preparation of these financial statements are discussed below.

Fair value of common shares issuance

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining the fair value of assets received when common shares are issued as consideration. If the fair value of assets received or services rendered cannot be reliably measured, the transaction will be recorded at the fair value of common shares issued on the date of issuance.

Flow-through Shares

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

Impairment of Exploration and Evaluation assets

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

Subsequent to the year ended December 31, 2021, the Company terminated the option earn-in agreement on the Destiny Project and consequentially recognized a write-down of $1,912,525 at December 31, 2021 related to the CGU.

In respect of costs incurred for its remaining exploration and evaluation assets, management has determined that the acquisition costs, which have been capitalized, continue to be appropriately recorded on the statements of financial position at its carrying value as management has determined there are no indicators of impairment for its remaining exploration and evaluation assets as at December 31, 2021.

Mining exploration tax credits

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits and determining an appropriate accrual.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

c) Significant accounting judgments, estimates and assumptions (continued)

Share-based compensation

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

The expected volatility is based on the historical volatility of similar entities (based on the remaining life of the options) due to the Company's limited trading history, adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

d) Foreign currency translation

The Company's reporting and functional currency of all its operations is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates. The functional currency determination was conducted through an analysis of consideration factors identified in IAS 21, *The Effect of Changes in Foreign Exchange Rates.* Accounts denominated in currencies other than the Canadian dollar have been translated as follows:

- Monetary assets and liabilities at the exchange rate at the statements of financial position date;
- Non-monetary assets and liabilities at the historical exchange rates, unless such items are carried at fair value, in which case they are translated at the date when the fair value was determined;
- Shareholders' equity items at historical exchange rates; and
- Revenue and expense items at the rate of exchange in effect on the transaction date.

Exchange gains and losses arising from translation to the Company's presentation currency are recorded as foreign exchange loss (gain), which is included in profit or loss.

e) Exploration and evaluation assets

All costs related to the acquisition of mineral properties, including option payments, are capitalized on an individual prospect basis. Amounts received for the sale of mineral properties and for option payments are treated as reductions of the cost of the property, with payments in excess of capitalized costs recognized in profit or loss. The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof. Subsequent recovery of the resulting carrying value depends on successful development or sale of the mineral property. If a mineral property does not prove viable, all unrecoverable costs associated with the project net of any impairment provisions are written off.

Exploration and evaluation expenditures are recognized in profit or loss. Costs incurred before the Company has obtained legal rights to explore on areas of interest are recognized in profit or loss. Expenditures incurred by the Company in connection with the exploration and evaluation of mineral resources after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable are capitalized.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

f) Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge in profit or loss. Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior years. A reversal of impairment is recognized as a gain in profit or loss.

g) Share-based compensation

Share-based compensation to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation 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 the fair value of the goods or services cannot be reliably measured, they are recorded to the option reserve at the date the goods or services are received. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. 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 shall be based on the number of equity instruments that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in reserves is transferred to share capital.

All equity-settled share-based payments are reflected in other equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in other equity reserves is credited to share capital, adjusted for any consideration paid. For those unexercised options and share purchase warrants that expire, the recorded value is transferred to deficit.

h) Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and a finance cost. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments), variable lease payments based on an index, rate, or subject to a fair market value renewal condition, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

h) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the lessee's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise.

Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in profit or loss. Short term leases are defined as leases with a lease term of 12 months or less.

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease.

i) Earnings (loss) per share

Basic earnings or loss per common share is calculated using the weighted average number of shares outstanding during the year. The Company computes the dilutive effect of options, warrants and similar instruments whereby the dilutive effect on earnings or loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are excluded from basic earnings or loss per common share until escrow conditions have been removed.

j) Income taxes

<u>Current income tax</u>

Current income tax assets and liabilities for the reporting period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

<u>Deferred income tax</u>

Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

j) Income taxes (continued)

Deferred income tax (continued)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

k) Financial instruments

Financial Assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss.

Financial assets measured at amortized costs

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost:

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss.

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

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value recognized in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in profit or loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income (loss).

(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

k) *Financial instruments* (continued)

Financial Liabilities

Financial liabilities are classified as amortized cost, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemptions, as well as any interest or coupon payable while the liability is outstanding.

Accounts payables represent liabilities for goods and services provided to the Company prior to the end of the period which are unpaid. Accounts payable amounts are unsecured and are usually paid within forty-five days of recognition.

As at December 31, 2021, the Company's financial instruments are comprised of cash, receivables, accounts payable and accrued liabilities.

l) *Unit offerings*

Proceeds received on issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares, and any excess is allocated to warrants.

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2021, the Company changed its accounting policy related to exploration costs. Previously, the Company capitalized its exploration costs on an individual prospect basis until such time as an economic ore body was defined or the prospect was abandoned. The Company will continue to capitalize all direct costs related to the acquisition of a mineral property interest upon acquiring the legal right to explore the property; however, exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development will be charged to operations as incurred.

The change in policy has been made to more appropriately disclose the operations of the Company and the value of its mineral properties.

The impact of the change in policy has been applied retrospectively in these financial statements and the summary of the impact of these changes is disclosed below.

Summary of Impact on the Prior year Statement of Financial Position

As at December 31, 2020	**As reported**	**Adjustments[1]**	**As restated**
Exploration and evaluation assets	$ 1,018,561	$ (161,548)	$ 857,013
Total assets	$ 1,709,638	$ (161,548)	$ 1,548,090
Deficit	$ (1,892,266)	$ (161,548)	$ (2,053,814)
Total equity	$ 1,038,284	$ (161,548)	$ 876,736
Total liabilities and shareholders' equity	$ 1,709,638	$ (161,548)	$ 1,548,090

(EXPRESSED IN CANADIAN DOLLARS)

3. CHANGE IN ACCOUNTING POLICY (continued)

Summary of Impact on the Prior year Statement of Financial Position (continued)

As at January 1, 2020	As reported	Adjustments[2]	As restated
Exploration and evaluation assets	$ 90,449	$ (80,449)	$ 10,000
Total assets	$ 239,922	$ (80,449)	$ 159,473
Deficit	$ (40,049)	$ (80,449)	$ (120,498)
Total equity	$ 114,196	$ (80,449)	$ 33,747
Total liabilities and shareholders' equity	$ 239,922	$ (80,449)	$ 159,473

Summary of Impact on the Prior year Statement of Loss and Comprehensive Loss

For the year ended December 31, 2020	As reported	Adjustments[3]	As restated
Expenses			
Exploration expenditures	$ -	$ 81,099	$ 81,099
Loss and comprehensive loss for the year	$ (1,852,217)	$ (81,099)	$ (1,933,316)
Loss per share – basic and diluted	$ (0.12)	$ (0.01)	$ (0.13)
Weighted average number of shares outstanding – basic and diluted	15,122,742	-	15,122,742

Summary of Impact on the Prior Year Statement of Changes in Equity

	Deficit			Total Equity		
	As reported	Adjustment	As restated	As reported	Adjustment	As restated
Balance as at January 1, 2020[2]	$ (40,049)	$ (80,449)	$ (120,498)	$ 114,196	$ (80,449)	$ 33,747
Loss and comprehensive loss for the year[3]	(1,852,217)	(81,099)	(1,933,316)	(1,852,217)	(81,099)	(1,933,316)
Balance as at December 31, 2020	$(1,892,266)	$ (161,548)	$(2,053,814)	$(1,738,021)	$ (161,548)	$(1,899,569)

The change in accounting policy did not have any impact on the Company's statement of cash flows for the year ended December 31, 2019.

For the year ended December 31, 2020	As reported	Adjustments[1]	As restated
Cash used in operating activities	$ (1,478,846)	$ (68,410)	$ (1,547,256)
Cash provided by financing activities	$ 1,566,980	$ -	$ 1,566,980
Cash used in investment activities	$ (185,423)	$ 68,410	$ (117,013)
Increase in cash	$ (97,289)	$ -	$ (97,289)
Cash, beginning of the year	$ 145,451	$ -	$ 145,451
Cash, end of the year	$ 48,162	$ -	$ 48,162

(EXPRESSED IN CANADIAN DOLLARS)

3. CHANGE IN ACCOUNTING POLICY (continued)

Summary of Adjustments

[1] Reduction of $161,548 in accumulated exploration costs, which was previously capitalized in mineral properties, has been expensed and is reflected in deficit as at December 31, 2020.
[2] Reduction of $80,449 in accumulated exploration costs, which was previously capitalized in mineral properties, has been reflected in the opening deficit at January 1, 2020.
[3] Exploration costs of $81,099 were incurred during the year ended December 31, 2020 are reflected as expenses as a result of the change in policy.

Summary of Impact on Prior Year Income Tax Disclosures

A reconciliation of the Company's income taxes at statutory rates with the reported taxes:

For the year ended December 31, 2020		**As reported**		**Adjustments[3]**		**As restated**
Income/(loss) before taxes for the year	$	(1,852,217)	$	(81,099)	$	(1,933,316)
Expected income tax (recovery)		(500,099)		(21,896)		(521,995)
Benefits of tax losses not recognized		500,099		21,896		521,995
Total income tax (recovery)/expenses	$	-	$	-	$	-

4. RECEIVABLES AND PREPAID EXPENSES

		December 31, 2021		**December 31, 2020**
GST receivable	$	119,586	$	127,776
Prepaid expenses		64,344		474,817
Other (Note 11)		15,674		-
	$	199,604	$	602,593

5. EXPLORATION AND EVALUATION ASSETS

Empirical Project

The initial Empirical Project ("Empirical") consists of three unpatented mineral claims which are located in the Lillooet Mining Division of British Columbia, Canada.

On July 2, 2020, the Company paid $7,013 to stake two unpatented mineral claims, which are adjacent and contiguous to the west and south of the Empirical Project.

On July 5, 2020, the Company acquired an additional unpatented mineral claim, which is adjacent and contiguous to the east of the Empirical Project. As consideration for the acquisition, the Company paid $3,334 cash, and issued 416,667 common shares with a fair value of $158,334 to an arm's length private company.

The Empirical Project now totals 6 unpatented mineral claims.

Pursuant to the terms of the Option Agreement dated October 16, 2019 (the "Agreement"), the Company can earn a 100% interest in the initial 3 unpatented Empirical claims by making the following payments to Longford Capital Corp. (the "Optionor"), a company controlled by the CEO (Note 11):

(EXPRESSED IN CANADIAN DOLLARS)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Empirical Project (continued)

- Issue 2,000,000 common shares by October 22, 2019 (issued at a value of $10,000)
- Pay $50,000 within 5 days of the common shares being approved for listing on a stock exchange (paid on June 29, 2020)
- Incur a minimum of $80,000 in exploration costs on Empirical by October 1, 2020 (incurred)
- Incur a minimum of $200,000 in exploration costs on Empirical by October 1, 2021 (incurred)

The Optionor retains a 2% net smelter royalty ("NSR") payable following commencement of commercial production. The Company has the right to reduce the NSR from 2% to 1% at any time prior to commencement of commercial production by paying $1,500,000 to the Optionor.

In addition to the terms outlined above, the Agreement contains a 5 kilometre area of influence provision pursuant to which any claims staked by the Company within 5 kilometres of the Empirical property boundary will automatically be included as part of the Agreement and subject to the 2% NSR.

Gretna Green Project

On July 5, 2020, the Company acquired the Gretna Green Project, which is comprised of one mineral claim located 24 kilometres southwest of Port Alberni, British Columbia. As consideration for the acquisition, the Company paid $3,333 cash, and issued 416,666 common shares with a fair value of $158,333 to an arm's length private company.

Tyber Project

On July 5, 2020, the Company acquired the Tyber Project, which is comprised of one mineral claim located 1.4 kilometres south of Arrowsmith Lake, British Columbia. As consideration for the acquisition, the Company paid $3,333 cash, and issued 416,667 common shares with a fair value of $158,333 to an arm's length private company.

Destiny Project

On November 27, 2020, the Company entered into an Option Agreement (the "Destiny Agreement") with Big Ridge Gold Corp. ("Big Ridge") to acquire up to 100% of the Destiny Project (the "Option"). The project is located approximately 75 kilometres northeast of the city of Val d'Or in the prolific Abitibi Greenstone Belt. Subsequent to December 31, 2021, the Company provided cancellation notice and terminated the option agreement with Big Ridge and wrote-off all capitalized acquisition costs and surface rights totaling $1,912,525 at December 31, 2021.

Pursuant to the terms of the Destiny Agreement, the Company can earn a 100% interest in the Destiny Project by making the following payments to Big Ridge:

Payment Date	Cash Payment Amount	Shares Issuance Amount ($'s)	Interest Earned in Destiny Project
On execution of the Letter of Intent dated October 29, 2020	$50,000 (paid in fiscal 2020)	-	-
Within 60 days of the execution of the Destiny Agreement	$450,000 (paid on January 26, 2021)	$1,000,000 (685,391 shares issued on January 26, 2021)	-
12 months from the closing date of the Destiny Agreement	$750,000	$1,000,000	-
24 months from the closing date of the Destiny Agreement	$750,000	$1,500,000	49% earned
36 months from the closing date of the Destiny Agreement	$1,000,000	$2,000,000	100% earned
Total	**$3,000,000**	**$5,500,000**	**100% earned**

(EXPRESSED IN CANADIAN DOLLARS)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Destiny Project (continued)

The Company paid $255,000 as an arm's length finders' fee (equal to 3% of the aggregate consideration) for the transaction.

Acquisition of surface rights over Destiny Project

On May 6, 2021, the Company purchased surface rights of two lots over a key portion of the Destiny Project.

The Company agreed to pay $125,000 per lot for total consideration of $250,000. The Company made an initial payment of $25,000 per lot at closing and $25,000 per lot on August 12, 2021 and December 22, 2021, with the remaining balance of $50,000 per lot payable in two equal installments of $25,000 every three months.

Certain exploration acquisition costs were paid to a related party (Note 11). The following table is a reconciliation of exploration and evaluation assets for the years ended December 31, 2021 and 2020.

	Destiny Project	Empirical Project	Gretna Green Project	Tyber Project	Total
Acquisition costs, December 31, 2019	$ -	$ 10,000	$ -	$ -	$ 10,000
Additions (Note 11)	305,000	218,681	161,666	161,666	847,013
Acquisition costs, December 31, 2020	305,000	228,681	161,666	161,666	857,013
Additions	1,607,525	-	-	-	1,607,525
Termination of option agreement	(1,912,525)	-	-	-	(1,912,525)
Acquisition costs, December 31, 2021	$ -	$ 228,681	$ 161,666	$ 161,666	$ 552,013

Certain exploration expenditures were paid to a related party (Note 11). During the year ended December 31, 2021, the Company incurred exploration costs as follows:

Exploration Expenditures	Destiny Project	Empirical Project	Gretna Green Project	Tyber Project	Total
Administration	$ 3,218	$ 21,995	$ -	$ -	$ 25,213
Assays	86,498	18,968	400	-	105,866
Drilling	1,199,734	-	-	-	1,199,734
Engineering	26,348	-	-	-	26,348
Field expenditures	167,677	31,753	12,376	7,962	219,768
Geological	208,615	45,500	-	-	254,115
Geophysical	27,961	-	-	-	27,961
Licenses and permits	44,904	-	-	-	44,904
Line cutting	37,199	-	-	-	37,199
Meals and lodging	62,446	18,000	1,500	825	82,771
Mobilization/demobilization	35,331	-	-	-	35,331
Sampling and storage	164,225	-	-	-	164,225
Transportation	45,209	42,317	-	1,000	88,526
	$ 2,109,365	$ 178,533	$ 14,276	$ 9,787	$ 2,311,961

(EXPRESSED IN CANADIAN DOLLARS)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Certain exploration expenditures were paid to a related party (Note 11). During the year ended December 31, 2020, the Company incurred exploration costs as follows:

Exploration Expenditures	Destiny Project	Empirical Project	Gretna Green Project	Tyber Project	Total
Administration	$ -	$ 500	$ -	$ -	$ 500
Assays	-	233	219	299	751
Field expenditures	-	62	-	-	62
Geological	23,450	2,584	3,333	1,833	31,200
Licenses and permits	-	2,100	500	500	3,100
Mapping	16,025	5,700	2,500	2,500	26,725
Meals and lodging	3,684	1,395	1,277	281	6,637
Transportation	686	10,430	538	470	12,124
	$ 43,845	$ 23,004	$ 8,367	$ 5,883	$ 81,099

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021	December 31, 2020
Accounts payable (Note 11)	$ 87,273	$ 588,246
Accrued liabilities	74,722	42,000
	$ 161,995	$ 630,246

7. SHARE CAPITAL

Authorized

The authorized share capital consists of an unlimited number of common and preferred shares without par value.

As at December 31, 2021, the total common shares outstanding are 28,142,592 (December 31, 2020 - 20,371,500) and nil preferred shares issued.

Escrowed shares

As at December 31, 2021, the Company had 1,237,500 shares in escrow, of which:

- 412,500 will be released on the 24 month, 30 month and 36 month anniversary from the commencement of trading on the CSE.

These escrow shares may not be transferred, assigned, or otherwise dealt without the consent of regulatory authorities.

7. SHARE CAPITAL (continued)

Share issuances

Year ended December 31, 2021:

Completed private placements

- On January 11, 2021, the Company completed the first tranche of a non-brokered private placement of 1,563,956 units at a price of $0.96 per unit ("Units") for gross proceeds of $1,501,398. Each Unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at a price of $1.25 per common share until January 11, 2022.

  The Company paid $6,240 in legal fees, cash finder's fees of $56,447, and issued 58,694 agent options with a fair value of $32,357, which were recorded as share issue costs. Each agent option is exercisable into one additional common share at a price of $0.96 per common share until January 11, 2022. The fair value of the agent options was determined using Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 1 year, and a risk-free rate of 0.18%.

- On January 28, 2021, the Company completed the second tranche of a non-brokered private placement of 3,167,340 Units at a price of $0.96 per Unit for gross proceeds of $3,040,646. Each Unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole share purchase warrant is exercisable into one additional common share at a price of $1.25 per common share until January 28, 2022.

  The Company paid $12,669 in legal fees, cash finder's fees of $149,061, and issued 155,272 agent options with a fair value of $124,027, which were recorded as share issue costs. Each agent option is exercisable into one additional common share at a price of $0.96 per share until January 28, 2022. The fair value of the agent options was determined using Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 1 year, and a risk-free rate of 0.15%.

- On March 5, 2021, the Company completed a non-brokered flow-through private placement of 2,054,405 common shares at $1.85 per common share for gross proceeds of $3,800,649.

  The Company paid $3,296 in legal fees, cash finder's fees of $266,045 and issued 143,808 agent options with a fair value of $65,602 in connection with the private placement. Each agent option is exercisable at $1.85 per common share on a non-flow-through basis until March 5, 2023. The fair value of the agent options was determined using Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 1 year, and a risk-free rate of 0.30%.

Shares issued for Destiny Project

On January 26, 2021, the Company paid $450,000 to Big Ridge Gold Corp. and issued 685,391 common shares with a fair value of $1,007,525 pursuant to the Destiny Property Agreement.

Exercised warrants

During the year ended December 31, 2021, the Company issued 300,000 common shares pursuant to the exercise of 300,000 warrants exercisable at $0.35 per common share, for total proceeds of $105,000.

7. SHARE CAPITAL (continued)

Share issuances (continued)

Year ended December 31, 2020

Completed private placements

- On February 13, 2020, the Company completed a private placement of 400,000 common shares at $0.10 per share for gross proceeds of $40,000. The Company paid $1,920 legal fees which was recorded as share issue costs.

- On June 25, 2020, the Company completed its Initial Public Offering ("IPO") of 6,900,000 common shares at $0.175 per common share for gross proceeds of $1,207,500. The Company paid a total of $293,421 in share issue costs for the IPO. The share issue costs were comprised of a 9% agent's commission totaling $108,675, corporate finance fees of $50,000, legal fees of $116,868, and $17,878 for due diligence expenses.

  The Company issued 621,000 non-transferable agent options with a fair value of $56,721 which were recorded as share issue costs. Each agent option is exercisable into one common share at $0.175 per common share until June 25, 2022. The fair value of the agent options was determined using Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 2 years, and a risk-free rate of 0.30%.

- On July 6, 2020, the Company acquired the Tyber Project and Gretna Green Project on Vancouver Island, British Columbia, Canada. The Company also acquired an additional mineral claim adjacent, and contiguous to the east of the Empirical Project. The Company paid $10,000 and issued 1,250,000 common shares with a fair market value of $475,000 to acquire all three of these exploration and evaluation assets.

- On July 31, 2020, the Company completed a non-brokered private placement consisting of 2,158,000 units at a price of $0.30 per unit for gross proceeds of $647,400. Each unit was comprised of one common share in the capital of the Company and one-half of one share purchase warrant. One full share purchase warrant is exercisable into one common share at a price of $0.35 per share until July 31, 2022.

  The Company paid $15,087 in legal fees, cash finder's fees of $10,000, and issued 79,310 agent options with a fair value of $57,672, which were all recorded as share issue costs. Each agent option is exercisable into one common share at a price of $0.30 per common share until July 31, 2022.

  The fair value of the agent options was determined using Black-Scholes Option Pricing Model with the following inputs: volatility 100%, expected life of 2 years, and a risk-free rate of 0.26%.

- On September 29, 2020, the Company issued 13,500 common shares pursuant to the exercise of agent options for proceeds of $2,363. The Company reclassified $1,233 from reserves to share capital upon the exercise of the agent options.

(EXPRESSED IN CANADIAN DOLLARS)

7. SHARE CAPITAL (continued)

Warrants

The following is a summary of the Company's warrant activity:

	Number of warrants	Weighted average exercise price $
December 31, 2019	**-**	**-**
Issued	1,079,000	0.35
Balance, December 31, 2020	**1,079,000**	**0.35**
Issued	2,365,648	1.25
Exercised	(300,000)	0.35
Balance, December 31, 2021	**3,144,648**	**1.03**

As of December 31, 2021, the Company had warrants outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise Price $	Remaining life (years)	Number of warrants
July 31, 2022	0.35	0.58	779,000
January 11, 2022*	1.25	0.03	781,978
January 28, 2022*	1.25	0.08	1,583,670
		0.19	**3,144,648**

*Subsequent to year end December 31, 2021, an aggerate of 2,365,648 warrants expired unexercised.

Agent options

The following is a summary of the Company's agent options activity:

	Number of agent options	Weighted average exercise price $
December 31, 2019	**-**	**-**
Issued	700,310	0.19
Exercised	(13,500)	0.175
Balance, December 31, 2020	**686,810**	**0.19**
Issued	357,774	1.32
Balance, December 31, 2021	**1,044,584**	**0.58**

(EXPRESSED IN CANADIAN DOLLARS)

7. SHARE CAPITAL (continued)

Agent options (continued)

As of December 31, 2021, the Company had agent options outstanding, and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise Price $	Remaining life (years)	Number of agent options
June 25, 2022	0.175	0.48	607,500
July 31, 2022	0.30	0.58	79,310
January 11, 2022*	0.96	0.03	58,694
January 28, 2022*	0.96	0.08	155,272
March 5, 2023	1.85	0.18	143,808
		0.36	**1,044,584**

*Subsequent to the year ended December 31, 2021, an aggregate of 213,966 agent options expired unexercised.

Options

The following is a summary of the Company's options activity:

	Number of options	Weighted average exercise price $
December 31, 2019	**-**	**-**
Granted	1,100,000	1.11
Balance, December 31, 2020	**1,100,000**	**1.11**
Granted	550,000	1.48
Forfeited	(50,000)	(1.21)
Balance, December 31, 2021	**1,600,000**	**1.23**

As of December 31, 2021, the Company had options outstanding and exercisable to acquire common shares of the Company as follows:

Expiry date	Exercise Price $	Remaining life (years)	Number of options outstanding	Number of options exercisable
July 31, 2023	1.00	1.58	100,000	66,668
August 21, 2023	1.06	1.64	100,000	100,000
September 11, 2023	1.06	1.70	500,000	500,000
December 2, 2023	1.21	1.92	350,000	350,000
March 15, 2023	1.48	1.20	550,000	550,000
		1.56	**1,600,000**	**1,566,668**

During the year ended December 31, 2021, the Company recognized a total of $444,055 (2020 - $722,550) in share-based compensation which was comprised of the following:

On March 15, 2021, the Company granted 550,000 share options to a member of the Company's Advisory Board, and two consultants. Each option is exercisable at $1.48 per share until March 15, 2023. All of the options vested upon date of grant. The estimated fair value of the options was $424,896, measured using the Black-Scholes Option Pricing Model with the following assumptions: share price $1.48; exercise price - $1.48; expected life – 2 years; volatility – 100%; dividend yield - $0; and risk-free rate - 0.31%.

7. SHARE CAPITAL (continued)

Options (continued)

On July 31, 2020, the Company granted 100,000 share options to a member of the Company's Advisory Board under its share option plan. Each option is exercisable at $1.00 per share until July 31, 2023. The options are subject to vesting provisions, with one-third vested on the grant date, one-third on the first anniversary of the date of grant, and one-third on the second anniversary thereof. The total estimated fair value of the options was $57,478, of which $33,529 was recorded as share-based compensation in the year ended December 31, 2020. The fair value of the options was measured using the Black-Scholes Option Pricing Model with the following assumptions: share price $0.95; exercise price - $1.00; expected life - 3 years; volatility - 100% (with comparable companies); dividend yield - $0; and risk-free rate - 0.25% (using Government of Canada Benchmark Bond yields). An additional $19,159 of share-based compensation was recognized on vesting of options during the year ended December 31, 2021.

On August 21, 2020, the Company granted 100,000 share options to a member of the Company's Advisory Board. Each option is exercisable at $1.06 per share until August 21, 2023. All of the options vested upon date of grant. The estimated fair value of the options was $65,211, measured using the Black-Scholes Option Pricing Model with the following assumptions: share price $1.06; exercise price - $1.06; expected life - 3 years; volatility - 100%; dividend yield - $0; and risk-free rate - 0.29%.

On September 11, 2020, the Company granted 500,000 share options to a member of the Company's Advisory Board, and a consulting firm. Each option is exercisable at $1.06 per share until September 11, 2023. All of the options vested upon date of grant. The estimated fair value of the options was $325,996, measured using the Black-Scholes Option Pricing Model with the following assumptions: share price $1.06; exercise price - $1.06; expected life - 3 years; volatility - 100%; dividend yield - $0; and risk-free rate - 0.27%.

On December 2, 2020, the Company granted 400,000 share options to a member of the Company's Advisory Board, a consultant, and a director. Each option is exercisable at $1.21 per share until December 2, 2023. All of the options vested upon date of grant. The estimated fair value of the options was $297,814, measured using the Black-Scholes Option Pricing Model with the following assumptions: share price $1.21; exercise price - $1.21; expected life - 3 years; volatility - 100%; dividend yield - $0; and risk-free rate - 0.31%.

8. FLOW-THROUGH SHARE LIABILITY AND RECOVERY OF FLOW THROUGH PREMIUM

During the year ended December 31, 2021, the Company:

- Issued flow-through shares through a private placement (Note 7), recording $801,218 (2020 - $nil) in flow through premium.
- Incurred eligible flow-through expenditures of $1,995,064 (2020 - $nil).
- Reported a recovery of flow-through premium of $420,581 (2020 - $nil), and as at December 31, 2021 had a remaining flow-through liability of $380,637 (December 31, 2020 - $nil).

As at December 31, 2021, the Company had $1,805,585 (December 31, 2020 - $nil) in unspent flow-through funds. The Company has until December 31, 2022 to spend the unspent flow-through funds.

In accordance with the flow-through share agreements, the Company may be required to indemnify the holders of any such shares any tax and other costs payable to them in the event the Company does not fulfil its flow through expenditure requirements.

(EXPRESSED IN CANADIAN DOLLARS)

9. LEASES

The Company has a two-year lease agreement for the Company's head office in Vancouver, British Columbia. The discount rate used was 8%. During the year ended December 31, 2021, the Company amended the lease agreement such that the lease will terminate on December 31, 2021.

Set out below are the carrying amounts of the right-of-use asset and lease liability recognized and the movements during the year ended December 31, 2021:

	Right-of-use asset $	Lease Liability $
As at December 31, 2019	-	-
Additions	50,933	50,933
Depreciation	(10,611)	-
Accretion	-	1,950
Payments	-	(11,775)
As at December 31, 2020	40,322	41,108
Depreciation	(26,184)	-
Lease cancellation	(14,138)	(15,828)
Accretion	-	3,242
Payments	-	(28,522)
As at December 31, 2021	-	-

10. FINANCIAL RISK MANAGEMENT

The Company is exposed to minimal financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The Company's cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by the banks there is a concentration of credit risk. This risk is managed by using major banks that are high quality financial institutions as determined by rating agencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

As at December 31, 2021, the Company has cash of $2,750,286 (December 31, 2020 - $48,162) to settle $161,996 (December 31, 2020 - $630,246) in accounts payable and accrued liabilities that are due within 90 days of year-end.

10. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

The Company currently has minimal foreign exchange risk as it conducts the majority of its business within Canada in Canadian dollars.

Interest rate risk

The Company is not currently exposed to significant interest rate risk.

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 provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in the 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 or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements and there were no changes in the Company's capital management during the year ended December 31, 2021.

Fair value hierarchy

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 –Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's financial instruments which includes cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of these financial instruments. Lease liability is classified as level 3.

11. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resource or obligations between related parties.

As at December 31, 2021, $27,930 (December 31, 2020 - $156,106) was included in accounts payable and accrued liabilities owing to directors, officers, and companies controlled or affiliated with directors and officers of the Company. Amounts due to related parties consist of charges accrued for accounting fees, consulting fees, corporate advisory fees, and exploration and evaluation costs. These amounts are due to a director and two companies controlled by two directors. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

As at December 31, 2021, $19,674 (December 31, 2020 - $nil) was included in receivables and prepaid expenses with a company controlled by a Director and CEO of the Company.

The Company has identified all directors and officers as its key management personnel. The following are the transactions with related parties during the year ended December 31, 2021 and 2020, respectively:

(EXPRESSED IN CANADIAN DOLLARS)

11. RELATED PARTY TRANSACTIONS (continued)

		Year Ended December 31, 2021		Year Ended December 31, 2020
Consulting fees to a company controlled by a Director and CEO of the Company	$	120,000	$	90,000
Director fees to a company controlled by a Director of the Company		3,000		-
Accounting fees to a company jointly controlled by a previous Director of the Company		22,925		28,750
Corporate advisory fees to a company jointly controlled by a previous Director of the Company		52,213		33,100
Consulting fees to a company controlled by the previous CFO of the Company		18,000		18,000
Accounting fees to a company that employs the CFO of the Company		15,000		-
Exploration and evaluation costs charged by a company controlled by a Director and CEO of the Company		-		50,000
Exploration expenditures charged by a company controlled by a Director and CEO of the Company		744,551		30,025
Share-based compensation to a Director		-		37,227
	$	975,689	$	287,102

12. INCOME TAXES

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

		December 31, 2021		December 31, 2020 (Restated)
Loss for the year before income taxes	$	(6,521,763)	$	(1,933,316)
Tax rate		27%		27%
Expected income tax recovery	$	(1,760,876)	$	(521,995)
Items not deductible for tax purposes		113,087		191,958
Under (over) provided in prior years		(30,615)		-
Origination and reversal of temporary differences		1,072,990		55,111
Benefits of tax losses not recognized		605,414		274,926
Total income tax recovery	$	-	$	-

The Company has not recognized any deferred tax assets or liabilities as of December 31, 2021.

As at December 31, 2021, the Company has not recognized the benefit of the following deductible temporary differences:

	December 31, 2021
Non-capital loss carry-forwards expiration beginning 2039	$3,668,000
Resource properties	$1,215,000
Share issue costs	$587,000

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

The Company's significant non-cash transactions during the year ended December 31, 2021 were as follows:

a) On January 11, 2021, the Company issued 58,694 agent options with a fair value of $32,357, which were recorded as share issue costs.

b) On January 26, 2021, the Company issued 685,391 common shares with a fair value of $1,007,525 pursuant to the Destiny Agreement.

c) On January 28, 2021, the Company issued 155,272 agent options with a fair value of $124,027, which were recorded as share issue costs.

d) On March 5, 2021, the Company issued 143,808 agent options with a fair value of $65,602, which were recorded as share issue costs.

e) On March 5, 2021, the Company recognized a flow through premium liability of $801,218 related to the issuance of flow through shares.

f) On December 1, 2021, the Company recognized a recovery to share-based payment reserves of $37,277 related to the cancellation of stock options.

The Company's significant non-cash transactions during the year ended December 31, 2020 were as follows:

a) On June 25, 2020, the Company transferred $25,000 from deferred financing costs to corporate finance fees for the IPO, which is included in share issue costs.

b) On June 25, 2020, the Company issued 621,000 non-transferrable agent options with a fair value of $56,721 as part of share issue costs for the completed IPO.

During the year ended December 31, 2021, the Company paid $nil (2020 - $nil) interest and taxes.

14. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment, being the acquisition and exploration of mineral properties. As at December 31, 2021 and 2020, all the Company's assets were located in Canada.