



Advance United Holdings Inc.
Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Advance United Holdings Inc.

Opinion

We have audited the consolidated financial statements of Advance United Holdings Inc. and its subsidiary (together, the "Company"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of (loss) income and comprehensive (loss) income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$813,989 for the year ended December 31, 2021 and, as of that date, had an accumulated deficit of \$732,978. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Company for year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on February 18, 2021.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis ("MD&A") but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be misstated.

We obtained the MD&A prior to the date of this auditor's 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 the fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Ahmad Aslam.

Zeifmans LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
May 2, 2022



Advance United Holdings Inc.
Consolidated Statements of Financial Position
As at December 31, 2021
(Expressed in Canadian Dollars)

	Note	2021	2020
Assets			
Current assets			
Cash		\$ 2,811,376	\$ 317,666
Investment in Angus shares	5	-	1,460,000
Harmonized sales tax recoverable		30,924	12,173
Prepaid expenses and deposits		4,894	-
		2,847,194	1,789,839
Non-current assets			
Mineral properties	4	558,768	42,300
Total assets		\$ 3,405,962	\$ 1,832,139
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	6, 7	\$ 89,597	\$ 22,205
Total liabilities		89,597	22,205
Shareholders' equity			
Share capital	8	3,900,726	1,639,243
Warrants reserve	8(c)	105,953	18,548
Options reserve	8(d)	42,664	71,132
Accumulated deficit		(732,978)	(81,011)
		3,316,365	1,809,934
Total liabilities and shareholders' equity		\$ 3,405,962	\$ 1,832,139

Nature of operations and going concern (Note 1)
Commitments (Note 13)
Subsequent events (Note 14)

On behalf of the Board of Directors: May 2, 2022

"Jim Atkinson" (signed)
Director

"Walter Henry" (signed)
Director

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



Advance United Holdings Inc.
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

	Note	2021	2020
Expenses			
Professional fees		\$ 165,709	\$ 39,353
Business development		126,747	-
Management fees	7	120,000	123,200
Consulting fees	7	94,000	49,063
Listing, filing and regulatory fees		216,383	1,865
Share-based compensation	7, 8(d)	42,664	-
Exploration and evaluation		38,953	113,093
Administrative		9,533	9,004
Total expenses		813,989	335,578
Interest on promissory note		-	(3,847)
Gain on settlement of debt		-	14,286
Flow-through premium recovery		-	527,818
Gain on sale of properties		-	402,375
Unrealized gain on market value in Angus shares		-	1,250,125
Net (loss) income and comprehensive (loss) income		\$ (813,989)	\$ 1,855,179
(Loss) income per share			
Weighted average number of shares - basic and diluted		36,583,754	23,063,089
Net (loss) income per share - basic and diluted		\$ (0.02)	\$ 0.08

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



Advance United Holdings Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

	Note	Share capital		Reserves		Accumulated deficit	Total
		Number of shares	Amount \$	Warrants \$	Options \$		
Balance at December 31, 2019		51,912,216	\$ 1,712,243	\$ 20,112	\$ 71,132	\$(1,775,732)	\$ 27,755
Share purchased from dissenting shareholder	8(b)(i)	(7,333,000)	(73,000)	-	-	-	(73,000)
Expiry of warrants	8(b)(i)	-	-	(1,564)	-	1,564	-
Net income and comprehensive income for the year		-	-	-	-	1,855,179	1,855,179
Balance at December 31, 2020		44,579,216	\$ 1,639,243	\$ 18,548	\$ 71,132	\$ 81,011	\$ 1,809,934
Cancellation of shares, warrants and options on RTO	8(b)(ii)	(44,579,216)	(1,639,243)	(18,548)	(71,132)	-	(1,728,923)
Acquisition of Talisker Gold Corp.	8(b)(ii)	22,289,606	858,150	-	-	-	858,150
Issuance of warrants	8(b)(ii)	-	(22,295)	22,295	-	-	-
Shares and warrants of Advance United pursuant to RTO	8(b)(iii)	14,200,100	336,681	73,320	-	-	410,001
Flow-through common shares issued	8(b)(iv)	2,866,700	2,150,025	-	-	-	2,150,025
Share issuance costs	8(b)(iv)	-	(136,497)	-	-	-	(136,497)
Issuance of broker warrants	8(b)(iv)	-	(83,658)	83,658	-	-	-
Private placement, common shares	8(b)(v)	400,000	300,000	-	-	-	300,000
Exercise of warrants	8(b)(vi)	4,225,000	498,320	(73,320)	-	-	425,000
Share-based compensation	8(d)	-	-	-	42,664	-	42,664
Net loss and comprehensive loss for the year		-	-	-	-	(813,989)	(813,989)
Balance at December 31, 2021		43,981,406	\$ 3,900,726	\$ 105,953	\$ 42,664	\$ (732,978)	\$ 3,316,365

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



Advance United Holdings Inc.
Consolidated Statements of Cash Flows
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

	2021	2020
Operating activities		
Net (loss) income	\$ (813,989)	\$ 1,855,179
Items not affecting cash		
Share-based compensation	42,664	-
Non-cash listing fees	109,785	(1,250,125)
Unrealized gain on Angus shares	-	(1,250,125)
Flow-through premium recovery	-	(14,286)
Gain on sale of Angus shares	-	(402,375)
Gain on sale of Wawa properties	-	(527,818)
	(661,540)	(1,589,550)
Changes in non-cash working capital activities		
Harmonized sales tax recoverable	(18,751)	247
Prepaid expenses and deposits	(4,894)	-
Flow-through indemnification provision	-	(128,135)
Promissory note	-	(112,403)
Accounts payable and accrued liabilities	67,392	(321,854)
Net changes in non-cash working capital balances	43,747	(2,151,695)
Net cash flows used in operating activities	(617,793)	(3,741,245)
Investing activities		
Mining claims paid	(5,500)	(2,800)
Sale of Angus shares	-	652,500
Sale of Wawa properties	-	600,000
Paint Lake Road JV	-	(5,000)
Net cash flows used in investing activity	(5,500)	1,244,700
Financing activities		
Shares returned to treasury	-	(73,000)
Proceeds from private placements	300,000	-
Proceeds from Flow-through private placement	2,150,025	-
Proceeds on exercise of warrants	425,000	-
Share issuance costs	(136,497)	-
Net Cash flows from financing activities	2,738,528	(73,000)
Cash received in acquisition	378,475	-
Net change in cash during the year	2,493,710	(979,995)
Cash, beginning of year	317,666	47,536
Cash, end of year	\$ 2,811,376	\$ (932,459)
Non-cash transactions:		
Common shares issued for acquisition	\$ 858,150	\$ -
Mineral properties acquired	\$ 553,268	\$ -
Investment in Angus (Note 5)	\$ 1,460,000	\$ -

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



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Advance United Holdings Inc. was incorporated under the laws of the Province of British Columbia on May 28, 2020. These consolidated financial statements include the accounts of its wholly owned subsidiary, Talisker Gold Corp. ("Talisker") (together, the "Company" or "Advance United"). On May 28, 2021, The Company's common shares became listed for trading on the Canadian Securities Exchange ("CSE") under the trading symbol ("AUHI") and Frankfurt Stock Exchange ("9I0"). On March 8, 2022, the Company received a Certificate of Continuance, moving from the Province of British Columbia, to the Province of Ontario. The Company is currently engaged in acquisition, exploration and development of mineral properties. Effective January 13, 2021, the Company changed its name from Ripper Resources Ltd. to Advance United Holdings Inc. The address of the Company's head office is 372 Bay Street, Suite 301, Toronto, Ontario M5H 2W9.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern, and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations. Changes in future conditions could require material write downs of the carrying values.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that the exploration programs will result in profitable operations. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

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



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN (Continued)

The Company has not realized a profit from operations and has incurred significant expenditures related to property exploration. The Company incurred a net loss of \$813,989 for the year ended December 31, 2021 and, as of that date, had an accumulated deficit of \$732,978 (December 31, 2020 - \$(81,011)). The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its property interests on an advantageous basis. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be successful in future financing activities or be able to execute its business strategy. As at December 31, 2021, the Company had current assets of \$2,847,194 (December 31, 2020 - \$1,789,839) to cover current liabilities of \$89,597 (December 31, 2020 - \$22,205).

COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Its impact on global economics has been far-reaching and businesses around the world have had to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to business worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and significant declines. Governments and central banks have responded with momentary and fiscal interventions to stabilize economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of the government and central bank responses, remains unclear at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the Company in future periods. The Company has not recorded any impairment or adjustments related to COVID-19.

REVERSE TAKEOVER ("RTO")

On January 12, 2021 Advance United completed a RTO transaction pursuant to the terms of an amalgamation agreement dated December 14, 2020, among Advance United, Talisker Gold Corp., and 2796446 Ontario Inc. ("NewCo"), a wholly owned subsidiary of Advance United (the "Reverse takeover"). The RTO was completed by way of a "three-cornered" amalgamation pursuant to the provisions of the Business Corporations Act (Ontario) whereby Talisker amalgamated with NewCo to form an amalgamated corporation and a wholly owned subsidiary of Advance United. Effective January 13, Advance United completed a common share consolidation on a basis of two old common shares into one new common share of Advance United. Completion of the amalgamation resulted in the issuance of 22,289,606 common shares and 675,000 warrants. Based on fair value of shares, the warrants were valued at \$22,295 using the Black Scholes Option Pricing Model. The fair value of shares after allocating the warrants' value was recorded as share capital with an amount of \$835,855. Significant assumptions used for valuing the warrants are disclosed in note 8(c). In addition, Advanced United also replaced the previously issued Talisker stock options (cancelled upon amalgamation) with its 1,250,000 stock options [note 8 (d)]. The resulting share capital of Advance United is 36,489,706 common shares of which the shareholders of Advance United own 39% and former shareholders of Talisker own the remaining 61%.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN (Continued)

In accordance with IFRS 3, Business Combinations, the substance of the reverse takeover is a takeover of a non-operating company. The transaction does not constitute a business combination as Advance United does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as a capital transaction with Advance United being identified as the acquirer and the entity consideration being measured at fair value. The resulting consolidated financial statements are presented as a continuation of Talisker and comparative figures presented in the consolidated financial statements are those of Talisker.

2. BASIS OF PRESENTATION

(a) Statement of compliance

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

(b) Approval of Financial Statements

The financial statements of the Company for the year ended December 31, 2021 were approved and authorized by the Board of Directors on May 2, 2022.

(c) Comparative information

Comparative information has been provided from the date of incorporation, May 28, 2020, for the consolidated statement of loss and comprehensive loss, statement of cash flows and statement of changes in shareholders' equity. Accordingly, comparative figures are not comparable to the current year.

(d) Basis of consolidation

These consolidated financial statements of the Company include the results of its sole, wholly-owned subsidiary Talisker Gold Corp. The financial transactions of the subsidiary are included in the consolidated financial statements from the date control is obtained. Intercompany balances, transactions, income, and expenses are eliminated. The accounting policies of the Company's subsidiary are the same as those of the Company.

(e) Basis of measurement

The financial statements have been prepared on a historical cost basis.

These consolidated financial statements are presented in Canadian dollars which is functional currency of the Company and its subsidiary. All financial information is expressed in Canadian dollars unless otherwise stated and has been rounded to the nearest dollar.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

(f) Critical accounting estimates

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Share-based payments

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. Because the Black Scholes option pricing model requires the input of highly substantive assumptions including the volatility of share prices, changes in substantive input assumptions can materially affect the fair value estimate.

Capitalization of mineral property costs

Management has determined that capitalized acquisition costs have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, operating management expertise and existing permits.

Impairment of mineral properties

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which the mineral properties are being used or are expected to be used and indications of expected economic performance of the properties. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties.

Going concern

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



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

Income, value added, withholding and other taxes

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

(g) Accounting standards issued but not yet effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any new standards and management has determined that there are no standards that are expected to have a significant impact on the consolidated financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of significant accounting policies used by the Company.

(a) Cash

The Company holds all its cash at major Canadian financial institutions and has no cash equivalents.

(b) Mineral properties

The initial acquisition costs of mineral properties are capitalized as exploration and evaluation interests on a project by project basis, pending determination of the technical feasibility and the commercial viability of the project. Acquisition costs include cash and fair value of shares paid, liabilities assumed, including related interest, and associated legal costs paid to acquire the interest, whether by option, purchase, staking or otherwise. Costs of investigation incurred before the Company has obtained the legal right to explore an area are recognized in the consolidated statement of (loss) income and comprehensive (loss) income.

Exploration and evaluation expenses are comprised of costs that are directly attributable to:

- researching and analyzing existing data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- evaluating the technical feasibility and commercial viability of extracting a mineral resource



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the capitalized mineral property interest for that project, and subsequent costs incurred for the development of that project, are capitalized as mineral properties, a component of property, plant and equipment.

All mineral property interests are monitored for indications of impairment at each financial position reporting date. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that acquisition costs are not expected to be recovered, it is charged to the results of operations.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures.

(c) Asset acquisition

The Company determines whether a transaction or other event is a business combination by applying the definition in IFRS 3, which requires that the assets acquired, and liabilities assumed constitute a business. If the assets acquired are not a business, the reporting entity shall account for the transaction or other event as an asset acquisition.

By examining the elements of inputs, process and outputs, the Company determines the assets acquired as an asset acquisition. Goodwill is not recorded as a result of an asset acquisition. Share-based payments made for acquisition of assets are recognized at the fair value of assets acquired.

(d) Financial instruments

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes a party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics. Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from an impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of other receivables and deposits.
- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. There are no financial assets held as FVTPL.
- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Designated at fair value through profit or loss (FVTPL) – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets’ carrying amount are recognized in profit or loss. Financial assets measured at FVTPL are comprised of cash.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Write-off

Financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the counterparty does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. The Company recognizes expected credit losses ("ECL") for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime ECLs at each reporting date from the date of the trade receivable.



Advance United Holdings Inc.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

For financial assets carried at amortized cost, the Company recognizes loss allowances for ECLs on its financial assets measured at amortized cost. ECLs are a probability-weighted estimate of credit losses. The Company applies a three-stage approach to measure ECLs. The Company measures loss allowance at an amount equal to 12 months of expected losses for performing loans receivable if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1) and at an amount equal to lifetime expected losses on loans receivable that have experienced a significant increase in credit risk since origination (Stage 2) and at an amount equal to lifetime expected losses which are credit impaired (Stage 3).

The Company considers a significant increase in credit risk to have occurred if contractual payments are more than 30 days past due and considers the loans receivable to be in default if they are 90 days past due. A significant increase in credit risk or default may have also occurred if there are other qualitative factors (including forward looking information) to consider; such as borrower specific information (i.e. change in credit assessment).

Objective evidence of impairment of financial assets carried at amortized cost exists if the counterparty is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counterparty that would not normally be granted, or it is probable the counterparty will enter into bankruptcy or a financial reorganization.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss. Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. 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.

Fair Value Hierarchy

Financial instruments recorded at fair value on the statements of financial position are classified using a financial value hierarchy that reflects the significance of the inputs used in marking the measurements.

The fair value hierarchy has the following levels:

- *Level 1* - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Investments are classified as Level 1
- *Level 2* - valuation techniques based on inputs other than quoted prices including Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3* - valuation techniques using inputs for the asset and liability that are not based on observable market data (unobservable inputs).

(e) Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. 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 to which the asset belongs.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

(f) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. 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, warrants, stock options and flow-through shares are classified as equity instruments. Preference share capital is classified as equity if it is non-retractable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

(g) Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The relative fair value of the share component is credited to share capital and the relative fair value of the warrant component is credited to warrant reserve. Upon exercise of the warrants, consideration paid by the warrant holder together with the amount previously recognized in the warrant reserve account is recorded as an increase to share capital. For those warrants that expire unexercised, the recorded fair value is transferred from warrant reserve to deficit.

(h) Flow-Through Shares

Upon the issuance of flow-through shares, the Company records the initial proceeds to capital stock, net of tax liability, if any. The flow-through share premium liability on the statement of financial position represents the premium of the financing price in excess of the market share price on the date of the flow-through share financing. The financial liability pertaining to the premium is recognized in the statement of loss and comprehensive loss consistent with expenditure renunciations. As the Company incurs eligible Canadian Exploration Expenditures ("CEE") to meet flow-through requirements, a corresponding tax liability is recognized, reflecting the difference between the accounting and tax basis of the expenditures.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Share-Based payments

The Company accounts for share-based payments using the fair value method. Under this method, compensation expense for employees is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in stock option reserve, a component of equity, over the period that the employees earn the options. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. Upon the exercise of stock options, consideration paid by the option holder together with the amount previously recognized in the stock option reserve account is recorded as an increase to share capital. For those options that are cancelled or expire after vesting, the recorded fair value is transferred from stock option reserve to deficit.

Warrants, stock options, and other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value of the goods or services received or if the value of the goods or services received is not reliably measurable then the value of such goods and services are measured with reference to the fair value of the equity instruments issued. With respect to the acquisition of exploration and evaluation assets, the Company does not believe that the fair value of these assets is reliably measurable at the time of purchase. As such, when shares of the Company are issued as consideration for the purchase of exploration and evaluation assets, the fair value of the asset is based upon the price of the Company's shares on the date of the agreement to issue shares as determined by the Board of Directors. In the event that options or warrants are issued where the fair value of goods or services are not reliably measurable, they are valued using the Black-Scholes pricing model.

(j) Loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments and the conversion of outstanding convertible debt. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of option, warrants and convertible debt that would be anti dilutive.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Income taxes

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purpose. Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax losses and other deductions carried forward. Deferred income tax assets and liabilities are calculated using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position only when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in operations in the period in which the change is substantively enacted.

4. MINERAL PROPERTIES

Batchawana Properties

On April 15, 2018, the Company's subsidiary Talisker Gold Corp. entered into a Property Acquisition Agreement (“Batchawana Agreement”) with JD Exploration Inc., a company owned by Advance United’s President and CEO, to acquire a 100% interest in two mineral properties. Batchawana properties consists of the Doyle property and Buck Lake property.

Doyle Property

The Company’s principal property, the Doyle Property, is located approximately 92 kilometres southeast of Wawa, Ontario. The nearest settlement is the town of Wawa, current approximate population of 3,000 inhabitants which is located at the junction of Provincial Highway 101 and the Trans-Canada Highway 17. The Doyle Property lies within National Topographic System map sheet 41O/08 in Runnalls Township in the Algoma District of Central Ontario. The Doyle Property (gold/zinc) originally comprised of 52 mining claims was expanded between July 2019 and August 2021 to 109 cell mining claims covering 3,265 hectares. The Property is located in Runnalls Township.



Advance United Holdings Inc.

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(Expressed in Canadian Dollars)

4. MINERAL PROPERTIES (Continued)

Buck Lake Property

The Buck Lake Property (copper/zinc) originally comprised of 79 cell mining claims covering 1660 hectares, located in Lunkie Township, both in the Batchawana Greenstone Belt, near Sault Ste. Marie, Ontario. The target is a copper rich Massive Sulfide (VMS) deposit related to a mafic/felsic volcanic contact. Past drilling has identified copper mineralization along this contact. A recent soil geochemical survey has identified a strong copper and zinc anomaly also associated with the contact.

The Batchawana Properties are subject to a 2% Net Smelter Royalty ("NSR"), of which 1% can be bought back at any time for \$1,000,000.

5. INVESTMENT IN ANGUS SHARES

The cancellation of Talisker shares include \$1,460,000 on account of return of capital, of 1,825,000 common shares in respect of investment in Angus Gold Inc.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	2021	2020
Accounts payable and others	\$ 49,597	\$ 12,205
Accrued liabilities	40,000	10,000
	\$ 89,597	\$ 22,205

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Related Party Transactions

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at fair value.

On January 13, 2021, the Company granted 1,250,000 stock options with the fair value of \$42,664 to the Company's three directors, one of whom is also an officer.

	2021	2020
Management and consulting fees charged by officers and directors	\$ 155,000	\$ 152,262
Fees paid to a Company with a Director as a partner	43,950	-
	198,950	152,262
Amounts in accounts payable	5,650	-



Advance United Holdings Inc.

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8. SHARE CAPITAL

(a) Authorized

As at December 31, 2021, the Company's authorized number of common shares was unlimited and without par value.

(b) Issued and outstanding

	Note	Shares	Amount
Balance at December 31, 2019		51,912,216	\$ 1,712,243
Share purchased from dissenting shareholder	8(b)(i)	(7,333,000)	(73,000)
Balance at December 31, 2020		44,579,216	\$ 1,639,243
Cancellation of shares, warrants and options on RTO	8(b)(ii)	(44,579,216)	(1,639,243)
Acquisition of Talisker Gold Corp	8(b)(ii)	22,289,606	858,150
Shares and warrants issued of Advance United pursuant to RTO	8(b)(iii)	14,200,100	336,681
Issuance of warrants	8(b)(ii)	-	(22,295)
Flow-through, common shares issued	8(b)(iv)	2,866,700	2,150,025
Share issue costs	8(b)(iv)	-	(136,497)
Issuance of broker warrants	8(b)(iv)	-	(83,658)
Private placement, common shares	8(b)(v)	400,000	300,000
Exercise of warrants	8(b)(vi)	4,225,000	498,320
Balance at December 31, 2021		43,981,406	\$ 3,900,726

- (i) In March 2020, the Company agreed to repurchase 7,333,000 common shares of Talisker held by a dissenting shareholder for a cash payment of \$73,000.
- (ii) In January 2021, the Company completed an RTO of Advance United, canceling 44,579,216 Talisker shares and issuing 22,289,606 of Advance United shares to the former Talisker shareholders. The Company issued 675,000 warrants to former Talisker shareholders with an exercise price of \$0.10 and \$0.30 with a Black Scholes valuation of \$22,295.
- (iii) Pursuant to the RTO, the Company issued 14,200,100 common shares; 10,000,100 in August of 2020 at \$0.02 per share to Founders of the Company for gross proceeds of \$200,000 and 4,200,000 common share Units were issued in October 2020, at \$0.05 per Unit for gross proceeds of \$420,000. Each Unit consists of one common share and one common share purchase warrant, exercisable at \$0.10 for a period of 24 months. The common share purchase warrants were valued at \$73,320 using the Black Scholes valuation model.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2021

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8. SHARE CAPITAL (Continued)

- (iv) On December 15th, 2021, the Company announced the closing a non-brokered Flow-through common share issuance of 2,866,700 Flow-through common shares at a price of \$0.75. The Company paid cash issuance costs of \$136,497 and issued 172,001 broker warrants. The broker warrants, were valued at \$83,658, using the Black Scholes pricing model and have an exercise price of \$0.75 for a period of 24 months. All shares issued are subject to a hold period of 4 months plus a day. As the shares issued were at the market price of \$0.75, there is no Flow-through premium recorded.
- (v) On December 21, 2021, the Company announced it has closed a non-brokered private placement with the issuance of 400,000 common shares in the capital of the Company at a price of \$0.75 for gross proceeds of \$300,000. All shares issued are subject to a hold period of 4 months plus a day.
- (vi) Between October 28 and December 6, 2021, shareholders exercised 4,225,000 warrants between \$0.10 and \$0.20 per share for aggregate gross proceeds of \$498,320. The Black Scholes warrant valuation of \$73,320 was reversed on the exercise.

(c) Warrants

The following table shows the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price
Balance at December 31, 2020	4,200,000	\$ 0.10
Exercised	(4,200,000)	0.10
Issued	25,000	0.20
Exercised	(25,000)	0.20
Issued	175,000	0.30
Issued	500,000	0.10
Issued	172,001	0.75
Balance at December 31, 2021	847,001	\$ 0.27

The following table reflects the warrants outstanding as at December 31, 2021:

Date issued	Number of warrants	Fair value of warrants	Exercise price	Expiry date
January 13, 2021	500,000	\$ 19,956	\$0.10	August 21, 2024
May 28, 2021	175,000	2,339	\$0.30	November 27, 2022
December 15, 2021	172,001	83,658	\$0.75	December 15, 2023
Totals	847,001	\$ 105,953	\$0.27	



Advance United Holdings Inc.

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8. SHARE CAPITAL (Continued)

The Company follows the fair value method of accounting for warrants using the Black Scholes option pricing model. The fair values of warrants issued were calculated based on the following assumptions:

	Jan 13, 2021	May 28, 2021	Dec 15, 2021
Risk free interest rate	0.36%	0.31%	0.95%
Expected volatility	153%	142%	131%
Expected life (in years)	3.6	1.5	2.0
Expected dividend rate	-	-	-
Exercise price	\$0.10	\$0.30	\$0.75

(d) Options reserve

The Company has adopted a stock option plan (the "Plan"), which provides that the board of directors of the Company may from time to time, in its discretion, and in accordance with exchange requirements, where applicable, grant to directors, officers, employees and consultants of the Company options to purchase the Company's shares, provided that the number of the Company's shares reserved for issuance may not exceed 10% of the issued and outstanding common shares at any time. Such options are to be exercisable for a period of up to 5 years from the date of grant. Except in specified circumstances, options are not assignable and will terminate if the optionee ceases to be employed by or associated with the Company. The terms of the Plan further provide that the price at which shares may be issued cannot be less than the market price (net of permissible discounts) of the shares when the relevant options were granted.

The following table shows the continuity of stock options for the periods presented:

	Number of Stock options	Weighted average exercise price
Balance at December 31, 2020		
Granted	1,250,000	\$ 0.10
Balance at December 31, 2021	1,250,000	\$ 0.10



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements
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8. SHARE CAPITAL (Continued)

As at December 31, 2021 the following options were outstanding and vested:

Grant date	Exercise price	Number of options outstanding	Number of options exercisable	Black Scholes fair value	Weighted average remaining contractual life (years)	Expiry date
January 13, 2021	\$ 0.10	1,000,000	1,000,000	\$ 32,140	1.29	April 17, 2023
January 13, 2021	\$ 0.10	250,000	250,000	\$ 10,524	2.98	December 23, 2024
Totals	\$ 0.10	1,250,000	1,250,000	\$ 42,664	1.63	

On January 13, 2021 stock options to purchase up to 1,250,000 common shares of the Company were issued to certain Officers and Directors of the Company with an exercise price of \$0.10 per share. 1,000,000 options have an expiry date of April 17, 2023 and 250,000 options expire December 23, 2024.

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model. For the year ended December 31, 2021, the Company recognized share-based compensation expense of \$42,664 and credited stock option reserve.

In calculating the fair value of the options, the following underlying assumptions were used in the Black-Scholes calculation:

	Jan 13, 2021	Jan 13, 2021
Strike price	\$0.10	\$0.10
Risk free interest rate	0.16%	0.36%
Expected volatility	100 %	100 %
Expected dividend rate	0.0%	0.0%
Expected life (in years)	2.25	4.0

9. CAPITAL MANAGEMENT

The Company's objective in managing capital is to maintain the entity's ability to continue as going concern, support the Company's normal operating requirements and to continue the exploration and development of its mineral properties.

The capital of the Company consists of the items in the shareholders' equity. The Board of Directors does not establish a quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business.



Advance United Holdings Inc.

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9. CAPITAL MANAGEMENT (Continued)

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. 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 the capital structure, the Company may issue new debts or equity or similar instruments to obtain additional financing.

The Company's over all strategy with respect to capital risk management remained unchanged during the period. The Company is not subject to any externally imposed capital requirements as at December 31, 2021.

10. FINANCIAL INSTRUMENTS

The carrying amounts of cash, and accounts payables and accrued liabilities, approximate their fair values due to the short-term maturities of these instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

The Company follows a three-tier categorization for its financial instruments. The hierarchy is summarized as:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities, only cash falls under the level 1;

Level 2 – inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has no financial instruments under Level 2 and 3.



Advance United Holdings Inc.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS (Continued)

The Company's financial assets and liabilities as at December 31, 2021 were as follows:

December 31, 2021	Amortized cost	FVTPL	Total
<i>Financial assets</i>			
Cash	\$ -	\$ 2,811,376	\$ 2,811,376
<i>Financial liabilities</i>			
Accounts payable and accrued liabilities	\$ 89,597	\$ -	\$ 89,597

December 31, 2020	Amortized cost	FVTPL	Total
<i>Financial assets</i>			
Cash	\$ -	\$ 317,666	\$ 317,666
Investment (Note 5)	\$ -	\$ 1,460,000	\$ 1,460,000
<i>Financial liabilities</i>			
Accounts payable and accrued liabilities	\$ 22,205	\$ -	\$ 22,205

The Company's risk exposure and risk management policies and procedures have not changed.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk consists of interest rate risk, foreign currency risk and other price risk. As at December 31, 2021, the Company is not exposed to significant market risk.

Credit risk

Credit risk is the risk of loss due to a counterparty's inability to meet its obligations. The Company has exposure to credit risk through its cash and cash equivalents and amounts receivable. The Company manages credit risk, in respect of cash and short-term investments, by maintaining the majority of cash at highly rated financial institution.

The Company's maximum exposure to credit risk at the end of any period is equal to the carrying amount of these financial assets as recorded in the consolidated statement of financial position. At December 31, 2021, no amounts were held as collateral.



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10. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. As at December 31, 2021, the Company has a positive working capital of \$2,757,597 (December 31, 2020 - \$1,767,634). Also, the Company has sustained losses through in the last couple of years. The Company's cash is held in corporate bank accounts. Management believes that it has the ability to raise sufficient cash to meet all of its obligations that are coming due in 2022 and to find the operating losses that may occur in the upcoming periods.

The carrying amounts reflected above represent the Company's maximum exposure to credit risk for such financial assets.

The fair values of these financial instruments approximate their carrying values because of their short-term nature and/or the existence of market related interest rates on the instruments.

11. LOSS PER SHARE

Net loss per share has been calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the period. The effect of stock options and warrants was anti dilutive and hence, the diluted loss per share equals the basic loss per share.

12. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory tax rate of 26.5% (2020 - 26.5%) were as follows:

	2021	2020
Loss before income taxes	\$ (813,989)	\$ 1,855,179
Expected income tax recovery based on statutory rate	215,707	491,622
Less: Unrealized gain on market value in Angus shares	-	(331,283)
Share based payments	42,664	-
Effect of change in temporary differences not recognized	(258,371)	(160,339)
Deferred income tax recovery	\$ -	\$ -

The Company has carry-forward losses of \$851,203. Loss of \$79,878 will expire in year 2040 and \$771,325 in year 2041.

The Company has not recognized any deferred tax asset on these losses due to improbability of taxable profits in foreseeable future.



Advance United Holdings Inc.

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13. COMMITMENTS

The Company's exploration activities are subject to various federal and provincial regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations.

14. SUBSEQUENT EVENTS

- (a) On March 21, 2022, the Company announced the signing of a non-binding Term Sheet to acquire the Landrum gold deposit located in South Carolina, USA from Carolina Gold Resources Inc.
- (b) On March 30, 2022, the Company announced the signing of a Letter of Intent and initiation of due diligence for the potential acquisition of Jumping Josephine gold property with inferred resource of 34,000 ounces and indicated resource of 30,000 ounces.
- (c) On April 12, 2022, the Company, announced signing a non-binding Term Sheet dated March 14, 2022, to acquire the Rattlesnake gold deposit located in South Carolina, USA from Carolina Gold Resources Inc.