Financial Statements

Mayo Lake Minerals Inc.

December 31, 2021 and 2020

Contents

Jones & O'Connell LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

43 Church Street, Suite 500 + P.O. Box 1237 + St. Catharines, ON + L2R 7A7
phone 905.688.4842 fax 905.688.1746
www.jonesoconnell.ca

Independent Auditor's Report

To the Shareholders of Mayo Lake Minerals Inc.

Opinion

We have audited the financial statements of **Mayo Lake Minerals Inc.** ("the Company"), which comprise the statement of financial position as at December 31, 2021 and the statement of loss and comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Mayo Lake Minerals Inc.** as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the company had a net loss of $485,246 for the year (2020 - $368,861), had not yet achieved profitable operations, has accumulated losses of $2,756,870 (2020 - $2,271,624) and expects to incur future losses in the development of its business, As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 financial statements of **Mayo Lake Minerals Inc.** as at and for the year ended December 31, 2020, were audited by another licensed public accountant, who expressed an unmodified opinion on those statements on June 3, 2021.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 the 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 International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Independent Auditor's Report

To the Shareholders of Mayo Lake Minerals Inc. (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it 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 a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identity 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 a fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants
St. Catharines, Ontario
April 28, 2022

Jones & O'Connell LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Mayo Lake Minerals Inc.
Statements of Financial Position

(Expressed in Canadian dollars) As at	December 31, 2021	December 31, 2020
Assets		
Current		
Cash and cash equivalents	**$ 1,104,056**	$ 35,335
Share subscription receivable	**-**	5,000
Sales tax receivable	**50,782**	29,590
Prepaid expenses	**90,413**	206,708
Total current assets	**1,245,251**	276,633
Property, plant and equipment	**-**	183
Mineral exploration and evaluation assets (Note 6)	**4,637,516**	4,207,097
Total assets	**$ 5,882,767**	$ 4,483,913
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 349,976**	$ 509,756
Flow through share premium liability (Note 7)	**188,630**	-
Notes payable (Note 8)	**-**	61,934
Total current liabilities	**538,606**	571,690
Government assistance (Note 9)	**60,000**	60,000
Long-term note payable (Note 8)	**26,500**	-
Long-term due to related parties (Note 10)	**218,821**	153,099
Total long-term liabilities	**305,321**	213,099
Total liabilities	**843,927**	784,789
Shareholders' equity		
Capital stock (Note 11)	**$ 6,991,925**	5,708,740
Warrants (Note 11)	**651,566**	255,708
Contributed surplus	**152,220**	6,300
Accumulated deficit	**(2,756,871)**	(2,271,624)
Total shareholders' equity	**5,038,840**	3,699,124
Total liabilities and shareholders' equity	**$ 5,882,767**	$ 4,483,913

Going concern (Note 2)
Commitments (Note 15)
Subsequent events (Note 16)

Approved on behalf of the Board

Original Signed

Dr. Vern Rampton Director *Greg LeBlanc* Director

See accompanying notes to the financial statements

Mayo Lake Minerals Inc.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

December 31,	2021	2020
Expenses		
General and administration	**$ 161,030**	$ 148,608
Investor relations and promotion	**44,688**	38,706
Legal and regulatory	**44,166**	23,359
Professional fees	**89,640**	33,500
Amortization of property, plant and equipment	**183**	67
RSU-DSU compensation (Note 11)	**203,415**	148,630
Interest and bank charges	**504**	599
Interest on promissory notes and demand notes	**9,959**	27,804
Interest discounting expenses	**4,097**	-
Accretion expense	**4,529**	3,718
	562,211	424,991
Other Income		
Fair value adjustment on promissory note (Note 10)	**(12,721)**	(31,079)
Flow through premium recovery (Note 7)	**(64,243)**	(25,051)
	(76,964)	(56,130)
Net loss and comprehensive loss	**$ (485,247)**	$ (368,861)
Weighted average number of common shares	**74,147,561**	61,104,802
Basic and diluted loss per share	**(0.007)**	(0.003)

See accompanying notes to the financial statements

Mayo Lake Minerals Inc.

Statements of Changes in Equity

(Expressed in Canadian dollars)

	Capital stock		Reserves			
	Shares	Amount	Warrant reserves	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2019	**55,258,020**	**$ 4,704,924**	**$ 456,835**	**$ 203,367**	**$(2,104,330)**	**$ 3,260,796**
Private placements, net of issuance costs	3,516,700	231,256	153,903	-	-	385,159
Warrants exercised	6,147,565	628,430	(355,030)	-	-	273,400
RSU-DSU payments (Note 11)	-	-	-	148,630	-	148,630
RSUs issuance of shares	2,030,000	144,130	-	(144,130)	-	-
Stock option expiration	-		-	(201,567)	201,567	-
Net loss and comprehensive loss	-	-	-	-	(368,861)	(368,861)
Balance, December 31, 2020	**66,952,285**	**$ 5,708,740**	**$ 255,708**	**$ 6,300**	**$(2,271,624)**	**$ 3,699,124**
Private placements, net of issuance costs	10,257,651	691,065	318,428	-	-	1,009,493
Initial public offering, net of issuance costs	8,291,041	396,400	215,656	-	-	612,056
RSU-DSU payments (Note 11)	-	-	-	203,414	-	203,414
RSU issuance of shares	2,660,250	195,720	-	(195,720)	-	-
Warrants expired	-	-	(138,226)	138,226	-	-
Net loss and comprehensive loss	-	-	-	-	(485,247)	**(485,247)**
Balance, December 31, 2021	**88,161,227**	**$ 6,991,925**	**$ 651,566**	**$ 152,220**	**$(2,756,871)**	**$ 5,038,840**

See accompanying notes to the financial statements

Mayo Lake Minerals Inc.

Statements of Cash Flows

(Expressed in Canadian dollars)

Year ended December 31	2021	2020
Cash flows from operating activities		
Net loss	**$ (485,247)**	$ (368,861)
Items not affecting cash:		
RSU DSU compensation	**203,415**	148,630
Amortization	**183**	67
Fair value adjustment on promissory note	**(12,721)**	(31,079)
Accretion expense	**4,529**	3,718
Flow-through premium recovery	**(64,243)**	(25,051)
Interest	**4,097**	16,439
Change in non-cash working capital items:		
Prepaid expenses	**116,295**	(2,510)
Subscription receivable	**5,000**	(5,000)
Sales tax receivable	**(21,192)**	(27,116)
Grant receivable	**-**	7,710
Accounts payable and accrued liabilities	**104,720**	(30,900)
Flow through premium payable	**188,630**	-
Net cash used in operating activities	**43,466**	(313,953)
Cash flows used in investing activities:		
Exploration and evaluation expenditures	**(430,419)**	(332,913)
Net cash used in investing activities	**(430,419)**	(332,913)
Cash flows from financing activities:		
Issuances of related party promissory notes	**150,000**	145,600
Repayments of related party promissory notes	**(49,209)**	(177,235)
Repayment of demand notes	**(55,503)**	(24,357)
Issuance of long term note payable	**25,000**	-
Government assistance received	**-**	60,000
Issuance of capital stock, net (Note 11)	**1,385,386**	678,127
Net cash from financing activities	**1,455,674**	682,135
Increase in cash and cash equivalents	**1,068,721**	35,269
Cash and cash equivalents, beginning of period	**35,335**	66
Cash and cash equivalents, end of period	**$ 1,104,056**	$ 35,335
Non-Cash Transactions:		
Settlement of accounts payable and accrued liabilities through issuance of capital stock (Note 11)	**$ 163,500**	-
Settlement of related party promissory notes through issuance of capital stock (Note 11)	$ **147,000**	-

See accompanying notes to the financial statements

1. Nature of business

Mayo Lake Minerals Inc. (referred to herein as the "Company") is an exploration stage junior mining company that was incorporated on September 7, 2011 under the laws of Ontario, Canada. The Company is engaged in the identification, evaluation and exploration of mineral properties in Yukon, Canada. The Company has not yet determined whether any of its properties contain mineral resources that are economically recoverable. The recoverability of any amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The Company became a reporting issuer on December 15, 2021 with its registered office at 110 Westhunt Drive, Unit 2, Carp (Ottawa), Ontario, Canada.

2. Going concern

The Company is an exploration stage company. At present, its operations do not generate cash flow. The Company incurred a net loss of $485,247 during the year ended December 31, 2021 (December 31, 2020 - $368,861). As of December 31, 2021, its accumulated deficit was $2,756,871 (December 31, 2020 - $2,271,624) and its working capital stood at $706,645 (December 31, 2020 - deficiency of $295,057). The Company completed an equity financing of both common share and flow through units on December 30, 2021 to facilitate a public listing on a recognized Canadian stock exchange. A total of $943,155 flow through were included in the financing and will more than suffice for completion of the Company's planned 2022 exploration.

The ability of the Company to recover the costs it has incurred to date on exploration and evaluation is dependent upon it being able to identify a commercial ore body, finance further exploration and development costs and to resolve any environmental, regulatory, and other constraints which may hinder the successful development of its assets.

The Company's ability to continue as a going concern is dependent on its capacity to obtain adequate financing on reasonable terms from lenders, shareholders and other investors in order to develop its assets and to carry on profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to do so in the future which could lead to a potential inability to meet future obligations. These factors indicate the existence of material uncertainty which may cast significant doubt on its ability to continue as a going concern. After reviewing the current cash position and having considered the Company's dependency on raising funds in the short and long term, the Company has adopted the going concern basis in preparing its financial statements.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

3. Basis of presentation, critical accounting, judgements and key estimation uncertainties

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as issued at January 1, 2020.

These financial statements were approved by the Board of Directors on April 28, 2022.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Critical accounting estimates and judgments and key estimation uncertainties

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. 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 may differ from these estimates. Revisions to accounting estimates, or changes to judgments, are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions that management has made about current unknowns, the future, and other sources of uncertainty, could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include by are not limited to, the following:

> *Share-based payments and share purchase warrants* - The fair value of share-based payments and compensation 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 subjective assumptions, including the volatility of share prices from similar types of companies, changes in subject input assumptions can materially affect the fair value estimate. The Black Scholes model incorporated inputs such as the risk-free rate, volatility by reference to comparable companies, estimated life and forfeiture rate.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

> *Recoverability of mineral exploration and evaluation assets* – The assessment of impairment of mineral exploration and evaluation assets requires judgment to determine whether indicators of impairment exist including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of mineral property interests are budgeted and results of exploration activities up to the reporting date. The Company has determined that there are no indicators of impairment.
>
> *Deferred Taxes* – Until such time as the Company has certainty as to future profits, deferred tax assets and liabilities are not recognized.

4. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment in value. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in the carrying amount if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation on property and equipment is recognized on a declining balance basis to write down the cost or valuation less estimated residual value of equipment. Depreciation on leaseholds is recognized on the straight-line basis over the term of the lease, which is 5 years. The rates generally applicable are:

Computer equipment is depreciated on a declining balance basis of 30%.

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures (E&E) are recognized and capitalized. Evaluation of asset costs are only capitalized upon the legal right to explore a property has been acquired. E&E include such costs as acquisition costs, fees and taxes to maintain assets, materials used, surveying costs, drilling costs and payments made to contractors. Costs not directly attributable to E&E activities, including general administrative overhead costs, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects, the Company's exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

Management groups mineral claims that are contiguous and specific to an area encompassing the same prospective minerals into one area of interest and assigns a name to this mineral property or project. Each named mineral property is considered an area of interest and a cash generating unit ("CGU").

Exploration and evaluation assets shall be assessed for impairment when facts and circumstances suggest that the carrying amount of a project may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The Company estimates the recoverable amount of each project, on the basis of areas of interest.

Although not an exhaustive list, one or more of the following facts and circumstances indicate that a specific project should be tested for impairment:

- The period for which the entity has the right to explore in the specific area has expired during the financial statement period or will expire in the near future and is not expected to be renewed.
- Substantive expenditures on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.

4. Significant accounting policies (continued)

- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or sale.

Recoverable amount is the higher of fair value less disposal costs and value in use. 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.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The following summarizes the Company's classifications and measurements of financial instruments:

Measurement	Classification
Financial assets	
Cash and cash equivalents	Amortized cost
Financial liabilities	
Accounts payable and accruals	Amortized cost
Demand notes payable	Amortized cost
Long-term note payable	Amortized cost
Due to related parties	Amortized cost

Financial assets at amortized cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and cash equivalents are classified as and measured at amortized cost.

Financial liabilities
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows: Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets
A loss allowance for expected credit losses is recognized in OCI for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investments in equity instruments.

4. Significant accounting policies (continued)

Financial instruments (continued)

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities
A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net earnings.

Share-based payments

Share-based payments are equity settled awards that are measured at fair value at the date of grant and recognized, over the vesting period based on the Company's estimate of awards that are expected to vest, along with a corresponding increase in equity. Compensation costs are presented separately in the statement of loss and comprehensive loss. The Company has three share-based compensation plans: The Share Option Plan, Deferred Share Unit ('**DSU**') Plan and Restricted Share Unit ('**RSU**') Plan, as noted below, and as further discussed in Note 10 of these consolidated financial statements.

Share Option Plan
Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. Vesting periods range from immediate to five years. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to common shares.

Restricted Share Unit Plan and Deferred Share Unit Plan
The purpose of the RSU and DSU Plans ('**Plans**') is to advance the interests of the Company by encouraging management, employees, consultants and independent directors to receive equity-based compensation and incentives, thereby (i) increasing the proprietary interests of such persons in the Company, (ii) aligning the interests of such persons with the interests of the Company's shareholders generally, (iii) encouraging such persons to remain associated with the Company, and (iv) furnishing such persons with additional incentives in their efforts on behalf of the Company. The Board also contemplates that through the Plans, the Company will be better able to compete for and retain the services of the individuals needed for the continued growth and success of the Company.

Restricted Share Units ('**RSUs**') are granted to contractors, consultants, employees and management to compensate them for their individual performance and are intended to supplement stock option awards in this specific respect and as a means of reducing the cash payable for their services. The goal of such grants is to more closely tie awards to individual performance based on established performance criteria. RSUs are granted on a certain date and contain a provision specifying a vesting date, which is the date on which they automatically convert for an equivalent number of common shares.

4. Significant accounting policies (continued)

Share-based payments (continued)

Deferred Share Units (‘**DSUs**’) are granted as a means of reducing the cash payable to directors for their services. In so doing, the interests of directors will become more closely aligned with those of the Company and its shareholders. The DSUs are subject on grant to certain terms and conditions set out in a Deferred Share Unit Notice of Grant that also determines the vesting conditions.

RSUs and DSUs are measured at the fair value of the shares at the date of the grant as they are settled through the issuance of shares upon vesting. The Company’s compensation expense is recognized upon vesting at a pre-determined vesting date based on the number of units estimated to vest at each date.

Flow through shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. Common shares issued on a flow-through basis typically include a premium over the market price of the Company’s common shares that is associated with the tax benefits of the flow-through share. The Company estimates the proportion of proceeds attributable to the flow-through premium as the excess of the subscription price over the market value of the shares and records this value as a liability at issuance.

Deferred income tax related to the temporary differences created by the renouncement of flow-through share tax benefits to subscribers are recorded on a pro-rata basis when the qualified expenditures are incurred. This can occur either before or after the formal renunciation of expenditures is filed with tax authorities. When the qualified expenditures are incurred, the tax value of the renunciation is recorded on a pro-rata basis as a deferred income tax liability with a corresponding charge to income tax expense in the consolidated statements of operations and comprehensive loss. If unrecognized deferred tax assets exist, deferred tax liabilities recorded upon incurring the qualified expenditures are offset with a deferred tax recovery recorded in the consolidated statements of operations and comprehensive loss. Additionally, as qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as other income in the consolidated statements of operations and comprehensive loss.

Provision for decommissioning and restoration

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Environmental rehabilitation
Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives. The Company has not recognized a provision for environmental rehabilitation.

4. Significant accounting policies (continued)

Income taxes

The Company does not have taxable profits and no current income tax is due.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and increased or reduced to the extent that it is probable, or no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period in which the liability is settled or the asset realized based on tax rates that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized as an expense or income in the profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting in a business combination.

Government assistance

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Segment reporting

The Company has identified its operating segments based on the internal reports that are reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM)" in assessing performance and in determining the allocation of resources. These measures include operating expenditures, expenditures on exploration and development, plant and equipment, non-current assets and total debt, if any.

The Company operates under a single geographic segment engaged in mineral exploration and development in the Yukon region of Canada. Financial information is reported to the CODM on at least a monthly basis. As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

Standards adopted in the year

New standards, amendments and interpretations adopted in the current year have not been disclosed as they did not have a material impact to the Company's financial statements.

5. Recent account pronouncements

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods after December 31, 2021. There are currently no such pronouncements that are expected to have a significant impact on the Company financial statements upon adoptions.

6. Mineral exploration and evaluation assets

A summary of the changes in exploration and evaluation assets is presented below for the years ending December 31, 2020 and December 31, 2021.

	Anderson-Davidson	Edmonton	Cascade	Carlin-Roop	Trail-Minto	Total
Balance, December 31, 2019	**$ 1,822,393**	**$ 460,588**	**$ 59,584**	**$ 990,346**	**$ 541,272**	**$ 3,874,183**
Expenditures:						
Claim fees	-	-	-	1,495	-	1,495
Exploration	334	282	(77)	331,163	(283)	331,419
Balance, December 31, 2020	**$ 1,822,727**	**$ 460,870**	**$ 59,507**	**$ 1,323,004**	**$ 540,989**	**$ 4,207,097**
Expenditures:						
Claim fees	-	-	4,200	-	4,095	8,295
Exploration	60,088	28	-	362,008	-	422,124
Balance, December 31, 2021	**$ 1,882,815**	**$ 460,898**	**$ 63,707**	**$ 1,685,012**	**$ 545,084**	**$ 4,637,516**

Yukon Property Acquisitions

The Company entered into binding letter agreements with Auropean Ventures Inc. (Auropean), a related company, in December of 2011 (amended in July 2014) for the acquisition of the Anderson, Davidson and Edmonton Creek claim groups and in February 2012 for the acquisition of the Roop and Trail-Minto claim groups and April 2012 for the Carlin claim group. Auropean retained a 2.75% net smelter return royalty (NSR) on the Anderson, Roop and Trail-Minto claim groups and a 2.5% NSR on the Davidson and Edmonton and Carlin claim groups. The NSRs are subject to a 1% buyback.

All of the NSR buybacks are applicable at any time up to commercial production. Any full 1% NSR can be bought back for $1M if gold is at $1,000 per ounce or less; $2 million if gold is at $3,000 per ounce or more with a sliding scale between $1,000 and $3,000 per ounce. A buyback can be exercised in increments of 0.5%.

7. Flow through share premium liability

As of December 31		2021		2020
Opening balance as of January 1	**$**	**-**	$	-
Issuance of flow through shares		**252,873**		25,051
Renunciation		**-**		(25,051)
Flow through premium recovery		**(64,243)**		**-**
Closing balance	**$**	**188,630**	$	-

8. Notes payable

The promissory notes issued in 2020 are payable upon demand and bear interest at 12% per annum calculated monthly.

The Company issued a promissory note in the amount of $25,000 on September 2, 2021 bearing interest at the rate of 1.5% per month. Both the principal and interest are due and payable on March 30, 2023. The note may be prepaid at the option of the Company.

As of December 31		2021		2020
Opening balance	**$**	**61,934**	$	86,291
Issuance of notes		**25,000**		-
Repayments of notes		**(55,503)**		(28,854)
Accrued interest		**1,500**		4,497
Accretion expenses unwinding		**(6,431)**		**-**
Closing balance	**$**	**26,500**	$	61,934

As of December 31		2021		2020
Current		**-**		61,934
Long-term		**25,000**		-
Accrued interest		**1,500**		-
Total	**$**	**26,500**	$	61,934

Interest of $4,547 (2020 - $8,540) on the promissory notes was expensed during the year.

9. Government assistance

As of December 31		2021		2020
Long-term	**$**	**60,000**	$	60,000
Total	**$**	**60,000**	$	60,000

On July 23, 2020, the Company received the Canadian Emergency Business Account (CEBA) in the amount of $40,000. On December 22, 2020, the Company received the CEBA top-up in the amount of $20,000. CEBA is a government program providing interest-free loans to small businesses, repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of 33 percent (up to $20,000).

10. Related party transactions and key management compensation

The Company has contracts for management and geological services provided by key management, namely officers, administrators and directors of the Company through companies controlled or influenced by management. In addition, key management or their related companies may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. Transactions are recorded at the fair value as agreed between all parties.

As of December 31	2021	2020
Opening balance	**$ 153,099**	$ 184,421
Issuance of notes	**251,000**	145,600
Repayments of notes	**(164,937)**	(166,000)
Accrued interest	**4,684**	16,439
Fair value adjustment	**(25,025)**	(31,079)
Accretion	**-**	3,718
Closing balance	**$ 218,821**	$ 153,099

As of December 31	2021	2020
Current	**$ -**	$ -
Long-term (repayable in 2023)	**218,821**	153,099
Total	**$ 218,821**	$ 153,099

- During the year, promissory notes to insiders totalling $145,000 was effectively repaid through the placement of Units the parties in question (see Note 11 (vii) and (viii)).

- Ironstone Capital Corporation (ICC), a corporation providing financial consulting services to the Company, was prepaid for the completion of an expected corporate transaction leading to a public listing through the award of 1,840,000 units (one share plus one-half warrant) on August 25, 2017. The shares and warrants were issued directly to its principal, who became a director of the company on December 4, 2017. These Units were valued at $198,000 (December 31, 2020 - $198,000). The warrants have since lapsed.
  The transaction was terminated unexpectedly by a third party in late 2017 and consequently the units are being held in escrow until ICC fulfill its contractual obligations, specifically the completion of a corporate transaction by the Company in the near future. The completion of a public listing that is anticipated before the end of April, 2022 will fulfill these obligations. In late 2021, it was determined that the Company would need to compensate ICC a further $59,400 upon its fulfilling its contractual obligations.

- On June 18, 2021 the Company issued a series of promissory notes totalling $101,000 to certain members of the management team in lieu of payment for services rendered. The principal and interest on the notes are due on June 30, 2023 and bear interest at the rate of 6% per annum.

- Auropean Ventures Inc. is an insider and from time to time provides credit to the Company.

- The President and CEO through his wholly owned corporation and the Company's administrator provide similar services to Auropean Ventures Inc. ('**Auropean**')

- The President & CEO and two directors of the Company are also the sole directors of Auropean.

- On November 12, 2021, the directors passed a resolution approving the borrowing of up to $150,000 from Auropean at a rate of 18% per annum.

- Interest expensed on the amounts due to related parties during the year ended December 31, 2021 totalled $5,412 (December 31, 2020 - $19,265).

10. Related party transactions and key management compensation (continued)

Related Parties	2021 Compensation					2021 Year-End Outstanding			
	Fees	RSUs/DSUs[1] Awarded		Options Awarded		RSUs/DSUs[1]	Options[1]	Notes & Interests	Payables[2]
		#	Award Value	#	Value[1]	#	#		
Rampton Resource Group President and CEO services	$51,000	860,000	$63,355	-	-	-	-	$30,969	$4,803
Rampton Resource Group Offices services, accounting and secretarial[3]	$67,929	180,000	$12,780	-	-	-	-	-	$6,061
Sans Peur Exploration VP-Exploration Services	$48,000	730,000	$53,990	-	-	-	-	$30,969	$22,725
Administrator/Proprietorship Investors relations and other professional services	$45,000	725,000	$53,500	-	-	-	-	$10,323	-
André Rancourt CPA, C.A. CFO services	$10,650	165,250	$12,095	-	-	-	-	-	$3,475
Irwin Lowy LLP Legal Services	$121,886	-	-	-	-	-	-	-	$139,407
Ironstone Capital Corp. Financial Services	$79,400	-	-	-	-	-	-	$6,194	$27,597
Director Jeff Ackert	-	100,000	$7,100	-	-	300,000	-	-	-
Lee Bowles Director	-	100,000	$7,100	-	-	250,000	-	-	-
Director Greg Leblanc	-	100,000	$7,100	-	-	350,000	-	-	-

Related Parties	2020 Compensation					2020 Year-End Outstanding			
	Fees	RSUs/DSUs[1] Awarded		Options Awarded		RSUs/DSUs[1]	Options	Notes & Interests	Payables[2]
		#	Award Value	#	Value[1]	#	#		
Rampton Resource Group President and CEO services	$51,000	660,000	$46,860	-	-	-	-	-	$143,243
Rampton Resource Group Offices services, accounting and secretarial[4]	$59,151	90,000	$6,390	-	-	-	-	-	-
Sans Peur Exploration VP-Exploration Services	$48,000	630,000	$44,730	-	-	-	-	-	$158,000
Administrator/Proprietorship Investors relations and other professional services	$25,565	600,000	$42,600	-	-	-	-	-	$56,937
André Rancourt CPA, C.A. CFO services	$2,250	-	-	-	-	-	-	-	$1,750
Irwin Lowy LLP Legal Services	$16,383	-	-	-	-	-	-	-	$43,205
Ironstone Capital Corp. Financial Services	$22,500	-	-	-	-	-	-	-	$25,000
Director Jeff Ackert	-	75,000	$5,325	-	-	200,000	-	-	-
Lee Bowles Director	-	125,000	$8,875	-	-	150,000	-	-	-
Director Greg Leblanc	-	75,000	$5,325	-	-	250,000	-	-	-

1. RSU and DSU being in lieu of cash compensation are valued at the fair value at the date of grant.
2. Includes HST.

11. Capital stock

Share capital	Number of Shares	Amount
Balance, December 31, 2019	55,258,020	$ 4,704,924
Private placement – warrant exercise (i)	6,147,565	628,430
Issuance of shares for restricted stock units (ii) (iii)	2,030,000	144,130
Private placement – flow-through (iv)	1,666,700	114,838
Private placement – common (v)	1,550,000	110,874
Private placement – flow-through (vi)	300,000	21,264
Issuance costs	-	(15,720)
Balance, December 31, 2020	**66,952,285**	**$ 5,708,740**
Private placement – common (vii)	2,947,000	197,122
Private placement – common (viii)	1,958,500	131,174
Private placement – flow-through (ix)	963,400	60,673
Private placement – common (x)	2,080,000	143,958
Issuance of shares for restricted stock units (xi)	1,900,000	134,900
Private placement – flow-through (xii)	2,248,751	168,412
Private placement – common (xiii)	60,000	5,100
Initial Public Offering – common (xiv)	2,003,340	191,002
Initial Public Offering – flow-through (xv)	6,287,701	588,267
Issuance of restricted share stock units (xvi)	760,250	60,820
Issuance costs		(398,244)
Balance, December 31, 2021	**88,161,227**	**$ 6,991,925**

i) On January 10, 2020, the directors approved amendments to warrants in good standing such that the exercise price was reduced from $0.12 and $0.15 to $0.05 for warrants expiring up to January 31, 2020. Subsequently, they extended the expiry date of the reduction in price to December 31, 2020. Any warrants not exercised by December 31, 2020, expired at their previous expiry date.

Furthermore, on March 10, 2020 the directors authorized the establishment of a 'Warrant Pool' managed by the Company under which those parties who surrender their existing warrants to the Warrant Pool, would receive one common share purchase warrant exercisable at $0.15 per share for every two warrants so surrendered with an expiry date of two years from the date of such surrender.

During fiscal 2020, a total of 6,147,565 warrants and broker warrants were exercised for total of $307,828 and a corresponding account value of $344,162, included were 103,635 warrants attached to the brokers warrants.

During fiscal 2020 the Company issued 1,004, 133 warrants exercisable into one whole common shares @ $0.15 per warrant as compensation to certain parties who surrendered their warrants to a Warrant Pool established by the Company.so that other parties could elect to exercise the surrendered warrants. Under the Black Scholes model, the new warrants were valued at $23,559.

The Company had 6,043,930 warrants exercised throughout 2020 for total proceeds of $307,828 and a corresponding account value of $344,162. A total of 6,147,565 were exercised The Company also issued 1,004,133 warrants to those shareholders who had surrendered their warrants to the warrant pool. These warrants were valued at $23,559 by the Black Scholes valuation model.

ii) On March 10, 2020, the directors approved the issuance of 590,000 RSUs to certain officers, contractors and employees vesting on June 30, 2020. On June 30, 2020, the Company issued 590,000 common shares upon the vesting of 590,000 RSUs.

11. Capital stock (continued)

iii) On April 10, 2020, the directors approved certain contractual provisions whereby the President & CEO, the VP Exploration and the Corporate Administrator would receive one half of their monthly compensation in RSUs in lieu of cash for a total of 720,000 RSUs every six months. On June 30, 2020, the Company issued 720,000 common shares pursuant to the vesting of 720,000 contractual RSUs and on December 31, 2020, the Company issued 720,000 common shares pursuant to the vesting of 720,000 contractual RSUs granted for the second half of the fiscal year.

iv) On October 13, 2020, the Company closed the first tranche of a Flow Through Private Placement for 1,666,700 Flow Through Units at $0.12, totalling $200,004. Each Unit consists of one flow through share and one common share purchase warrant. Each whole warrant is exercisable into one common share at $0.15 per share for a period of 30 months from listing date. The 1,666,000 warrants were valued at $59,858 using the Black Scholes valuation model, the inputs of which are disclosed below. The Company recognized a flow through liability of $21,308.

In conjunction with the offering, the Company paid finder's fees of $14,000 and granted 116,669 Broker Unit Warrants in relation to the flow through share offering. Each Broker Unit Warrant vested immediately and is exercisable at a price of $0.12 for a period of 30 months from listing date. The Broker Unit Warrants were valued at $4,000 using Black-Scholes valuation model, the inputs of which are disclosed below.

v) On December 23, 2020, the Company closed a Common Share Private Placement with European consisting of 1,550,000 Units at $0.10 per Common Share Unit, totalling $155,000. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant is exercisable into one common share at $0.15 per share for a period of 30 months from listing date. The 1,550,000 warrants were valued at $44,626 using the Black-Scholes valuation model the inputs of which are disclosed below.

vi) On December 31, 2020, the Company closed the final tranche of a Flow Through Placement for 300,000 Flow Through Units at $0.12 per flow through share totalling $36,000. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant is exercisable into one flow through share at $0.15 per share for a period of 30 months from listing date. The 300,000 warrants were valued at $10,992 using the Black-Scholes valuation model the inputs of which are disclosed below. The Company recognized a flow through liability of $3,743.

vii) On March 24, 2021, the Company closed a Common Share Private Placement for 2,947,000 Units at $0.10 per Unit for total proceeds of $294,700. Each Unit consists of one common share and one warrant exercisable at $0.15 into one common share for a period of 30 months from a public listing. The warrants were valued at $97,578 using the Black-Scholes valuation model, the inputs of which are disclosed below. A placement with one related party resulted in the reduction of related party debt of $100,000.

viii) On April 30, 2021, the Company closed a Common Share Private Placement for 1,958,500 Units at $0.10 per Unit for total proceeds of $194,950. Each Unit consists of one common share and one warrant exercisable at $0.15 into one common share for a period of 30 months from a public listing. The warrants were valued at $63,776 using the Black-Scholes valuation model, the inputs of which are disclosed below. Placements with five related parties resulted in the reduction of related party debt of $184,950 (payables - $149,950 and note - $35,000).

ix) On April 30, 2021, the Company closed a Flow Through Private Placement for 963,400 Units at $0.12 per Unit for total proceeds of $115,608. Each Unit consists of one common share and one warrant exercisable at $0.15 into one common share for a period of 30 months from a public listing. The warrants were valued at $35,205 using the Black-Scholes valuation model, the inputs of which are disclosed below. The Company recognized a flow through liability of $19,268. Placement with two related parties resulted in the reduction of related party debt of $39,000.

In conjunction with the offering, the Company paid finder's fees of $1,751 and granted 14,588 Broker Unit Warrants in relation to the flow through share offering. Each Broker Unit Warrant vested immediately and is exercisable at a price of $0.12 for a period of 30 months from listing date. The Broker Unit Warrants were valued at $462 using Black-Scholes valuation model, the inputs of which are disclosed below.

11. Capital stock (continued)

x) On June 18, 2021, the Company closed a Common Share Private Placement for 2,080,000 Units at $0.10 per Unit for total proceeds of $208,000. Each Unit consists of one common share and one warrant exercisable at $0.15 into one common share for a period of 30 months from a public listing. The warrants were valued at $64,042 using the Black-Scholes valuation model, the inputs of which are disclosed below.

xi) On April 30, 2021, the Company issued 1,130,000 common shares upon the vesting of an equal number of RSUs and on July 2, 2021, the Company issued 770,000 common shares upon the vesting of an equal number of RSUs.

xii) On September 30, 2021, the Company closed a Flow Through Private Placement for 2,248,751 Flow Through Units at $0.12, totalling $269,850. Each Unit consists of one flow through share and one half common share purchase warrant. Each whole warrant is exercisable into one common share at $0.15 per share for a period of 30 months from listing date. The 1,124,375 warrants were valued at $53,838 using the Black Scholes valuation model, the inputs of which are disclosed below. The Company recognized a flow through liability of $44,975.

In conjunction with the offering, the Company paid finder's fees of $10,500 and granted 87,500 Broker Unit Warrants in relation to the flow through share offering. Each Broker Unit Warrant vested immediately and is exercisable at a price of $0.12 for a period of 30 months from listing date. The Broker Unit Warrants were valued at $2,625 using Black-Scholes valuation model, the inputs of which are disclosed below.

xiii) On September 30, 2021, the Company closed a Common Share Private Placement for 60,000 Units at $0.10 per Unit for total proceeds of $6,000. Each Unit consists of one common share and one half warrant exercisable at $0.15 into one common share for a period of 30 months from a public listing. The warrants were valued at $900 using the Black-Scholes valuation model, the inputs of which are disclosed below.

xiv) On December 30, 2021, the Company closed the first tranche of its Initial Public Offering for 6,287,701 Flow Through Units at $0.15, totalling $943,155. Each Unit consists of one flow through share and one half common share purchase warrant. Each whole warrant is exercisable into one common share at $0.20 per share for expiring on December 30, 2024. The 3,143,853 warrants were valued at $153,377 using the Black Scholes valuation model, the inputs of which are disclosed below. The Company recognized a flow through liability of $188,631.

In conjunction with the offering, the Company paid finder's fees of $57,500 and granted 352,919 Broker Unit Warrants in relation to the flow through share offering. Each Broker Unit Warrant vested immediately and is exercisable at a price of $0.15 Expiring December 30, 2024. The Broker Unit Warrants were valued at $12,882 using Black-Scholes valuation model, the inputs of which are disclosed below.

xv) On December 30, 2021, the Company closed the first tranche of its Initial Public Offering for 2,003,340 Common Share Units at $0.12, totalling $240,401. Each Unit consists of one common share and one half common share purchase warrant. Each whole warrant is exercisable into one common share at $0.18 per share for expiring on December 30, 2024. The 1,001,670 warrants were valued at $48,867 using the Black Scholes valuation model, the inputs of which are disclosed below. Placement with a related party resulted in the reduction of related party debt of $12,000.

In conjunction with the offering, the Company paid finder's fees of $1,750 and granted 14,584 Broker Unit Warrants in relation to the flow through share offering. Each Broker Unit Warrant vested immediately and is exercisable at a price of $0.12 Expiring December 30, 2024. The Broker Unit Warrants were valued at $532 using Black-Scholes valuation model, the inputs of which are disclosed below.

xvi) On December 30, 2021, the Company issued 760,250 common shares upon the vesting of an equal number of RSUs.

11. Capital stock (continued)

Warrants	Number of Warrants		Amount
Balance, December 31, 2019	8,468,399	$	456,835
Warrant exercise (i)	(6,043,930)		(355,030)
Granted – to shareholders who surrendered to warrant pool (i)	1,004,133		23,558
Granted – private placements common (v)	1,550,000		44,626
Granted – private placement flow-through (iv, vi)	1,966,700		70,850
Granted – Broker Unit Warrants (iv)	116,669		4,000
Balance, December 31, 2020	**7,061,971**	**$**	**255,708**
Granted – private placement (vii)	2,947,000		97,578
Granted – private placement common (viii)	1,949,500		63,776
Granted – private placement flow-through (ix)	963,400		35,205
Granted – broker unit warrants (ix)	14,588		462
Granted – private placement common (x)	2,080,000		64,042
Granted – private placement flow-through (xiii)	1,124,375		53,838
Granted – broker unit warrants (xii)	87,500		2,625
Granted – private placement common (xiii)	30,000		900
Warrant expiration	(2,525,234)		(138,226)
Granted – Initial public offering – flow-through (xiv)	3,143,853		153,377
Granted – Initial public offering – Common (xv)	1,001,670		48,867
Granted – Initial public offering – Broker unit warrants (xiv) and (xv)	367,503		13,414
Balance, December 31, 2021	**18,246,126**	**$**	**651,566**

	Warrants Exercisable and Outstanding at December 31, 2020	Exercise Price	Expiry date
	212,500	$0.15	April 16, 2021*
	1,640,000	$0.15	April 30, 2021*
	100,000	$0.15	May 1, 2021*
	501,334	$0.15	December 31, 2021*
	533,193	$0.15	March 30, 2023
	410,800	$0.15	July 30, 2023
	40,625	$0.15	December 30, 2023
	3,435,450	$0.15	30 months after listing
Total	**6,873,902**		

	Broker Unit Warrants Exercisable and Outstanding at December 31, 2020	Exercise Price	Expiry date
	71,400	$0.12	April 30, 2021*
	116,669	$0.12	30 months after listing
Total	**188,069**		

11. Capital stock (continued)

Warrants

Exercisable and Outstanding at December 31, 2021	**Exercise Price**	**Expiry date**
533,193	$0.15	March 30, 2023
410,800	$0.15	July 30, 2023
40,625	$0.15	December 30, 2023
12,529,725	$0.15	30 months after listing
1,001,670	$0.18	December 30, 2024
3,143,853	$0.20	December 30, 2024
Total 17,659,866		

Broker Unit Warrants

Exercisable and Outstanding at December 31, 2021	**Exercise Price**	**Expiry date**
218,757	$0.12	30 months after listing
14,584	$0.12	December 30, 2024
352,919	$0.15	December 30, 2024
Total 586,260		

* All warrants scheduled to expire prior to December 30, 2020, April 30, 2021, May 1, 2021 and December 31, 2021 expired without exercise on their respective expiry date.

The following summarizes the assumptions used in the valuation of the warrants.

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.37% - 1.18%	0.20%
Volatility based on comparable companies	105.56% - 117.02%	97-99%
Expected dividend	0%	0%
Forfeiture	0%	0%
Expected option life	2.5 to 3 years	2.5 years

Stock options

The Company's stock option plan is available to its directors, officers, employees and service providers. The number of options available is a maximum of 10% of the total number of issued and outstanding common shares. All issuances, including the vesting and exercise periods, are approved by the Board
.

	Number of Options	**Exercise price**	**Amount**
Balance, December 31, 2019	2,100,000	$0.10	$ 201,567
Expired	(2,100,000)	$0.10	$ (201,567)
Balance, December 31, 2020	-	-	-
Balance, December 31, 2021	**-**	**-**	**$ -**

Restricted share unit / Deferred share unit plan ("RSU / DSU plan")
The plan provides for granting of RSUs and DSUs for the purpose of advancing the interests of the Company through motivation, attraction and retention of employees, consultants and non-employee directors by granting equity-based compensation incentives, in addition to the Company's stock option plan. The number of shares reserved for issuance for the RSU/DSU plan and the stock option plan combined shall not exceed 20% of the issued and outstanding common shares on the date of adoption.

Under the RSU/DSU plan, no cash settlements are made as settlement is in common shares only. In 2017, the shareholders of the Company approved that the common shares reserved for RSU/DSU plan be 5,000,000. Under the terms of the RSU/DSU plan, the number of common shares issued and issuable to insiders within a one-year period shall not exceed 10% of the issued and outstanding common shares; and to any one insider within one year shall not exceed 5% of the issued and outstanding common shares. The maximum grant within a one-year period to any one participant shall not exceed 5% of the total issued and outstanding common shares.

Restricted share units
RSUs are used to compensate participants for their individual performance-based services achievements and corporate performance, and they are intended to supplement stock option awards. The Company determines the fair market value and the vesting schedule of RSUs at the time of grant. The settlement date shall be no later than the third anniversary of the date of grant and all payments in respect of the vested units shall be paid in full before the end of the same calendar year. Non-vested RSUs are forfeited if the participant voluntarily leaves employment with the Company. Upon vesting of the RSUs the shares are issued from treasury.

Deferred share units
DSUs are used as a means of reducing the cash payable by the Company for amounts owing to non-employee directors. A DSU is a notional share that has a fair market value as determined by the Company at the grant date. DSUs are paid out to directors as common shares when they retire from the Board, which is estimated to be 5 years.

	Number of Units	**Value per unit**	**Grant Amount**
Balance, December 31, 2019	**375,000**	**$0.06**	**$22,500**
RSUs granted (ii)	2,030,000	$0.07	144,130
RSUs issued (ii)	(2,030,000)	$0.07	(144,130)
DSUs granted (ii)	225,000	$0.07	4,500
Balance, December 31, 2020	**600,000**	**$0.07**	**$27,000**
RSUs granted (ii)	2,660,250	$0.07	195,720
RSUs issued (ii)	(2,660,250)	$0.07	(195,720)
DSUs granted (ii)	300,000	$0.07	21,300
Balance, December 31, 2021	**900,000**	**$0.07**	**$48,300**

During the year ended December 30, 2021, the Company recognized $195,720 (2020 - $148,630) as RSU-DSU payments expense for DSUs and RSUs granted and vested during the periods. The fair values of the units were based on fair value of the shares.

12. Income taxes

A reconciliation of income taxes at the rates expected to apply when the asset is realized of approximately 26.5% (2020 - 26.5%) with the reported taxes is as follows:

		2021		2020
Loss before income taxes	**$**	**(485,247)**	$	(368,861)
Expected income tax recovery		**(128,590)**		(97,748)
Non-deductible expenses		**38,571**		35,396
Adjustment to prior year filings		**-**		(7,244)
Benefit of tax assets not recognized		**150,079**		69,596
Provision for current income taxes	**$**	**-**	$	-

The Company has the following tax effected net deductible temporary differences for which no deferred tax asset has been recognized:

		2021		2020
Deferred tax assets (liabilities)				
Non-capital losses	**$**	**812,903**	$	642,508
Share issue costs		**84,428**		
Accounting basis of exploration and evaluation assets in excess of tax basis		**(250,000)**		(180,881)

Recognition of deferred tax assets for unused tax losses and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. The amounts recognized above offset the tax liability created by the renunciation the tax benefits related to flow-through shares. The balance of the deferred tax asset has not been recognized in the financial statements.

13. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be shareholders’ equity, which is comprised of share capital, reserves and deficit in the amount of $5,038,840 as of December 31, 2021 (December 31, 2020 - $3,699,124).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements and supplemented with debt as necessary. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management in the year.

14. Financial instruments and risk management

Fair value

The carrying values of the Company's financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and other receivables.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due.

The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 11. As at December 31, 2021, the Company's current liabilities which comprise accounts payable and flow through liabilities total $538,606. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing exploration activities and commitments.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices. The Company is not exposed to any significant interest rate risk volatility or exchange rate volatility.

15. Commitments

On April 1, 2017, the Company entered into a financial services consulting agreement with Ironstone Capital Corp. (ICC), a company controlled by a director, to assist in obtaining a public listing together with enabling equity and/or debt financings. Upon completion of any financing transaction leading to a public listing, the Company is required to pay ICC a maximum of 3% of the value of the Company's outstanding shares prior to any completed financing transaction plus 1% of its post transaction value. The first portion of the cash compensation is to be paid when the parties agree it is expected under reasonable circumstances that the transaction will be completed. In addition, ICC is paid $2,500 every 45 days for the duration of the contract.

As of December 31, 2021, the Company had pre-paid ICC a total of $198,000 as per the aforementioned contractual agreement. The $198,000 was paid to ICC on September 17, 2017, on the expected completion of a transaction leading to a public listing. Subsequently, the third party to the proposed reverse takeover transaction unexpectedly withdrew from the transaction. As a result, the parties agreed that the remaining $59,400 due to ICC would be suspended and paid upon the fulfillment of the aforementioned contractual obligations. In addition, the parties agreed that the 1,840,000 Units that ICC's principal purchased during the Company's September 14, 2017 private placement of Units had a value of $198,000 and would be escrowed and only released upon the fulfillment of the aforementioned contractual obligations of ICC.

The payment to ICC has been partially recognized against share capital on closing of the first tranche of the IPO and will be fully recognized against share capital in 2022 upon finalization of the IPO, as disclosed in Note 10.

16. Subsequent events

On March 15, the Company closed the second tranche of its IPO Placement. In summary, between the two tranches the Company issued an aggregate of 6,287,701 flow-through units ("FT Units") at a price of $0.15 per FT Unit (the "FT Unit Offering Price") and 4,640,373 Units at $0.12 for aggregate gross proceeds of $1,500,000, the maximum offering under the Prospectus. Stephen Avenue Securities Inc. (the "Agent") acted as agent on a commercially reasonable efforts basis in respect of the Offering.

On March 17 the directors passed a resolution replacing Grant Thornton LLP as auditors of the Company with Jones & O'Connell LLP as their successors.

On March 21, 2022 the company issued a press release announcing ground exploration results from its summer 2021 exploration program including a high grade grab sample measuring 3,994g Ag/t, 3.28g Au/t, 2.01% Pb.

On March 21, 2022 the directors passed a resolution approving a private placement of any combination of common share units (‘**CS Units’**) and flow through units (‘**FT Units’**) up to $500,000. Each CS Unit to be comprised of one common share (a "Common Share") and one-half Common Share purchase warrant ("CS Warrant"). Each whole CS Warrant is exercisable into one Common Share at a price of $0.18 per Common Share for a period of 36 months from the closing date. In the event of multiple closings, the day of the final closing will be the Closing Date of record. Each FT Unit to be comprised of one flow-through share in the capital of the Company (a "FT Share") and one-half purchase warrant (a "Warrant"). Each whole Warrant is exercisable into one Common Share at a price of $0.24 for a period of 36 months from the closing date. Each FT Share will be issued as a "flow-through share" within the meaning of the Income Tax Act (Canada) (the "Tax Act").

17. Comparative figures

Certain comparable figures have been reclassified to conform with the current presentation.