COAST COPPER CORP.
(FORMERLY ROUGHRIDER EXPLORATION LIMITED)

(An Exploration Stage Company)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Coast Copper Corp. (formerly Roughrider Exploration Limited)

Opinion

We have audited the accompanying financial statements of Coast Copper Corp. (formerly Roughrider Exploration Limited) (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years 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. 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a loss of $1,280,767 during the year ended December 31, 2021 and, as of that date, the Company's accumulated deficit was $7,585,497. As stated in Note 1, these events and conditions 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 Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

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

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

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

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.

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 is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 27, 2022

COAST COPPER CORP. (FORMERLY ROUGHRIDER EXPLORATION LIMITED)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Expressed in Canadian dollars)

	Note	**2021**	2020
ASSETS		**$**	$
Current			
Cash		**1,449,264**	1,463,598
Receivables	5	**127,234**	43,635
Prepaid expenses and deposits		**56,302**	6,250
Marketable securities	4	**121,214**	25,000
		1,754,014	1,538,483
Non-Current			
Exploration and evaluation assets	5	**911,608**	763,986
Reclamation deposit	5	**13,642**	-
		925,250	763,986
		2,679,264	2,302,469
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12(b)	**265,644**	166,307
Flow-through share premium liability	7	**116,837**	-
		382,481	166,307
SHAREHOLDERS' EQUITY			
Share capital	6	**9,555,622**	8,220,247
Other equity reserves	6	**326,658**	298,682
Deficit		**(7,585,497)**	(6,382,767)
		2,296,783	2,136,162
		2,679,264	2,302,469

Nature of operations and going concern (Note 1)
Subsequent events (Notes 5 and 6(c),(d))

Approved on behalf of the Board:
_*"Dale Wallster"*___ , Director
_*"Adam Travis"*__ , Director

COAST COPPER CORP. (FORMERLY ROUGHRIDER EXPLORATION LIMITED)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian dollars)

	Note	**2021**	2020
		$	$
Expenses			
Consulting	12(a)	**166,866**	222,872
Exploration expenditures, net of recoveries	5, 12(a)	**1,065,550**	308,629
Investor relations		**47,711**	17,003
Office and administration	12(a)	**38,476**	12,578
Professional fees	12(a)	**66,291**	115,720
Salaries and personnel costs	12(a)	**82,189**	16,219
Share-based payments expense	6(e), 12(a)	**82,423**	249,718
Transfer agent, regulatory and filing fees		**15,569**	21,845
Travel and accommodation		**3,599**	877
		1,568,674	965,461
Other items			
Interest income		**(2,855)**	(669)
Mineral property recovery	5(a)(iii)	**(86,829)**	(38,872)
Settlement of flow-through share premium liability on incurring eligible expenditures	7	**(152,009)**	-
Unrealized gain on marketable securities	4	**(46,214)**	-
		(287,907)	(39,541)
Loss and comprehensive loss for the year		**(1,280,767)**	(925,920)
Basic and diluted loss per share		**$ (0.03)**	$ (0.03)
Basic and diluted weighted average number of shares outstanding		**42,452,348**	30,778,291

COAST COPPER CORP. (FORMERLY ROUGHRIDER EXPLORATION LIMITED)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Note	Number of shares	Share capital	Other equity reserves	Deficit	Total
			$	$	$	$
Balance, December 31, 2019		**13,806,551**	**5,209,518**	**21,000**	**(5,477,847)**	**(247,329)**
Loss for the year		-	-	-	(925,920)	(925,920)
Private placements, net of share issue costs	6(b)	15,925,000	2,312,296	49,037	-	2,361,333
Shares issued pursuant to acquisition of mineral properties	5(a)(i), 5(a)(ii)	11,200,000	698,000	-	-	698,000
Exercise of warrants	6(d)	3,600	433	(73)		360
Share-based payments expense	6(e)	-	-	249,718	-	249,718
Reclass of forfeited stock options	6(e)	-	-	(21,000)	21,000	-
Balance, December 31, 2020		**40,935,151**	**8,220,247**	**298,682**	**(6,382,767)**	**2,136,162**
Loss for the year		-	-	-	(1,280,767)	(1,280,767)
Private placement, net of share issue costs	6(b)	13,961,539	1,568,221	23,590	-	1,591,811
Flow-through share premium liability	7	-	(268,846)	-	-	(268,846)
Shares issued pursuant to acquisition of mineral properties	5(a)(i)	400,000	36,000	-	-	36,000
Share-based payments expense	6(e)	-	-	82,423	-	82,423
Reclass of forfeited stock options	6(e)	-	-	(78,037)	78,037	-
Balance, December 31, 2021		**55,296,690**	**9,555,622**	**326,658**	**(7,585,497)**	**2,296,783**

COAST COPPER CORP. (FORMERLY ROUGHRIDER EXPLORATION LIMITED)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian dollars)

	Note	**2021**	2020
		$	$
Operating Activities			
Loss for the year		**(1,280,767)**	(925,920)
Items not involving cash:			
Mineral property recovery	5(a)(iii)	**(71,438)**	(38,872)
Settlement of flow-through share premium liability	7	**(152,009)**	-
Share-based payments expense	6(e)	**82,423**	249,718
Unrealized gain on marketable securities	4	**(46,214)**	-
Net change in non-cash working capital	8	**(34,314)**	(289,917)
Cash used in operating activities		**(1,502,319)**	(1,004,991)
Investing Activities			
Acquisition of exploration and evaluation assets	5	**(115,184)**	(77,114)
Cash received pursuant to the Scottie West farm-out agreement	5(a)(iii)	**25,000**	25,000
Reclamation deposit	5	**(13,642)**	-
Cash used in investing activities		**(103,826)**	(52,114)
Financing Activities			
Proceeds received pursuant to private placements	6(b)	**1,665,000**	2,492,500
Share issue costs	6(b)	**(73,189)**	(131,167)
Proceeds pursuant to exercise of warrants		**-**	360
Cash provided by financing activities		**1,591,811**	2,361,693
Net increase (decrease) in cash		**(14,334)**	1,304,588
Cash, beginning of year		**1,463,598**	159,010
Cash, end of year		**1,449,264**	1,463,598
Supplemental cash flow information	8		

1. NATURE OF OPERATIONS AND GOING CONCERN

Coast Copper Corp. ("**Coast Copper**" or the "**Company**"), formerly Roughrider Exploration Limited, was incorporated on December 7, 2011 under the British Columbia Business Corporations Act. Effective September 28, 2021, the Company changed its name from Roughrider Exploration Limited to Coast Copper Corp. The Company is listed on the TSX Venture Exchange ("**TSX-V**") as a Tier 2 Mining Issuer under the trading symbol "COCO". The principal business of the Company is the exploration and evaluation of mineral properties. The principal focus of the Company is exploring its portfolio of mineral properties, including the Empire Mine property located on northern Vancouver Island, British Columbia ("**BC**") and the Golden Triangle properties in central BC, its sole operating and geographical segment.

The address of the Company's head office and registered office is Suite 904 - 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

These financial statements have been prepared on the going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company realized a loss of $1,280,767 for the year ended December 31, 2021 (2020: $925,920). At December 31, 2021, the Company had an accumulated deficit of $7,585,497. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period.

The Company has incurred operating losses in its exploration operations and its ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development and fund their operations until commercially successful and future production or proceeds from the disposition thereof. While the Company has been successful in securing financing to date, there can be no assurances that it will be able to do so in the future, therefore, a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**") and are consistent with interpretations by the International Financial Reporting Interpretations Committee ("**IFRIC**").

These financial statements were prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss and financial instruments at fair value through other comprehensive income, which are stated at their fair value. In addition, these financial statements use the accrual basis of accounting, except for cash flow information.

The Board of Directors (the "**Board**") approved these financial statements on April 27, 2022.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These financial statements are expressed in Canadian dollars, the Company's functional and presentation currency, the currency of the primary economic environment in which it operates.

b) Exploration property acquisition costs

Costs related to the acquisition of exploration properties are capitalized and deferred until such time as the property is either sold, or put into production. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Costs related to the exploration and evaluation of properties are recognized in profit or loss as incurred, up to the time a decision is made to proceed with the development of the related exploration property due to the existence of economically recoverable reserves. A mineral resource is considered to have economic potential when it is expected that a documented resource can be legally and economically developed considering forecast metal prices.

Incoming option payments, or proceeds from the sale of royalty interests received by the Company are first applied to capitalized costs, with any excess recognized in profit or loss. Tax credits received are applied against the costs that generated the tax credit. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and evaluation, and future profitable production or proceeds from the disposition thereof.

c) Impairment of non-financial assets

The recoverability of amounts expended on exploration property acquisition costs is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to overcome the regulatory, financing and other hurdles in order to complete their development and future profitable production or proceeds from the disposition thereof.

The Company performs impairment tests on exploration property interests when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on a project-by-project basis with each project representing a single cash generating unit.

When impairment indicators are identified, an impairment loss is recognized if the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's value in use or the asset's fair value less costs to sell.

An impairment loss is reversed if there is an indication that there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amounts that would have been determined (net of depreciation) if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) 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, but are not limited to, the following:

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 subjective assumptions, including the volatility of share prices and forfeiture rates. Changes in subjective input assumptions can materially affect the fair value estimate.

Flow-through share private placements

As an incentive to complete private placements, the Company may issue common shares, which by agreement are designated as flow-through ("**FT**") shares. The shares are usually issued at a premium to the trading price of the Company's shares because the Company renounces the resulting expenditures and income tax benefits to the FT shareholders. On issue, share capital is increased only by the non-FT share equivalent value and share-based payments reserve is increased by the fair value of warrants, if any. Any premium is recorded as a FT share premium liability.

Marketable securities

The fair value of financial instruments that are not traded in an active market is estimated on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Significant Accounting Estimates and Judgments (continued)

ii) 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:

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

Going concern assumption

The assessment of whether the going concern assumption is appropriate requires management to consider all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company estimates that its working capital is insufficient to continue operations for the upcoming year.

Impairment

The assessment of any impairment or recovery of exploration and evaluation assets is dependent upon estimates of recoverable amounts that consider factors such as reserves, economic and market conditions. Judgment is required in assessing the appropriate level of cash generating units to be tested for such impairment, if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Decommissioning liabilities

In the event that decommissioning liabilities are required to be recognized, such liabilities would be stated at the fair value of estimated future costs. Such estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations, and remediation practices.

e) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("**FVTPL**") are initially recognized at fair value, with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss. The Company's marketable securities are recorded as FVTPL.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as at fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash, receivables and reclamation bond are recorded at amortized cost.

*Fair value through other comprehensive income ("**OCI**")*

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("**FVOCI**"), with all subsequent changes in fair value being recognized in other comprehensive income as a component of equity. This election is available for each separate investment. Under this FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. On disposal of the investment the cumulative change in fair value is not recycled to profit or loss, rather transferred to deficit. The Company does not have any financial assets designated as FVOCI.

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and are measured at amortized cost.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 Valuation based on directly or indirectly observable inputs (other than Level 1 inputs) such as quoted interest or currency exchange rates; and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial instruments (continued)

Fair value hierarchy (continued)

Level 3 Valuation based on significant inputs that are not based on observable market data such as discounted cash flow methodologies based on internal cash flow forecasts.

Impairment

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

f) Share capital and share issue costs

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, stock options and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction from the proceeds. Where the Company has issued common shares and warrants together as units, value is first allocated to share capital based on the market value of the Company's common shares on the date of issue, with any residual value from the proceeds allocated to the warrants.

g) Share-based payments

The Company applies the fair value method of accounting for all stock option awards. Under this method, compensation expense attributed to the award of options to employees is measured at the fair value of the award on the date of grant, and is recognized over the vesting period of the award. Share-based payments to non-employees are valued based on the fair value of the service received, if reliably determinable, otherwise based on the fair value of the award granted. Valuation is calculated based on the date at which the Company receives the service. If and when the stock options are ultimately exercised, the applicable amounts of other equity reserves are transferred to share capital.

The fair value of instruments granted is measured using the Black-Scholes option pricing model, considering the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Other equity reserves

Other equity reserves consist of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants and amounts transferred to deficit for cancelled or expired stock options and warrants.

i) Flow-through shares

The Company will, from time to time, issue FT common shares to finance a significant portion of its exploration program. Pursuant to the terms of the FT share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates proceeds from the FT share and unit offerings using the residual method into i) share capital, ii) warrants and iii) FT share premium. The FT share premium, if any, represents the premium investors paid for the FT feature, which is recognized as a liability. Upon expenditures being incurred, the Company derecognizes the liability. The premium is recognized as settlement of flow-through share premium liability on incurring eligible expenditures, and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of FT shares are to be used for certain Canadian resource property exploration expenditures incurred within a two-year period.

The Company may also be subject to a Part XII.6 tax on FT proceeds renounced under the Look-back Rule, in accordance with Government of Canada FT regulations. When applicable, this tax is accrued as a financial expense until paid.

j) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

l) Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar.

Any transaction denominated in a foreign currency is translated into the functional currency using the exchange rate prevailing at the date of the transaction or the date of valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

m) Decommissioning and restoration provisions

Decommissioning and restoration provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation and discount rates. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows discounted for the market discount rate.

Over time the discounted liability is increased for the changes in the present value based on the current market discount rates and liability risks. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Changes in reclamation estimates are accounted for prospectively as a change in the corresponding capitalized cost.

The Company did not have any decommissioning and restoration provisions for the years presented.

n) Mineral exploration tax credit

The federal and provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company records these tax credits as a reduction of exploration and evaluation expenditures when the proceeds are virtually certain to be received from the tax authorities.

(Expressed in Canadian dollars)

4. MARKETABLE SECURITIES

Marketable securities are financial assets measured at fair value through profit or loss ("**FVTPL**") and consisted of an investment of 865,817 common shares of Goldplay Mining Inc. ("**Goldplay**") (Note 5(a)(iii)) at December 31, 2021. The fair value of marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation.

A summary of the changes in FVTPL investments is presented below:

	$
Balance December 31, 2019	-
Receipt of FVTPL investment pursuant to Scottie West farm-out agreement (Note 5(a)(iii))	25,000
Balance December 31, 2020	25,000
Receipt of FVTPL investment pursuant to Scottie West farm-out agreement (Note 5(a)(iii))	50,000
Unrealized gain	46,214
Balance, December 31, 2021	121,214

5. EXPLORATION AND EVALUATION ASSETS

a) BRITISH COLUMBIA

i) EMPIRE MINE PROPERTY

On September 22, 2020, the Company entered into an option agreement to acquire a 100% interest in the Empire Mine property (the "**Empire Option Agreement**") from Mirva Properties Ltd. ("**Mirva**"). The Empire Mine property consists of mineral claims (the "**Greater Empire Claims**") and crown grants (the "**Quatsino Crown Grants**") all located in the Rupert District on northern Vancouver Island, BC, near Port McNeill.

In order to earn a 100% interest in the Greater Empire Claims, the Company must make aggregate cash payments of $750,000, issue 3,000,000 common shares of the Company to Mirva and complete work commitments totaling $2,000,000 over a four-year period, as follows:

	Cash payment $	**Share issuance**	**Work commitment** $
Upon regulatory approval	50,000 (paid)	200,000 (issued)	N/A
By September 22, 2021	100,000 (paid)	400,000 (issued)	200,000 (completed)
By September 22, 2022	150,000	600,000	400,000
By September 22, 2023	200,000	800,000	600,000
By September 22, 2024	250,000	1,000,000	800,000

During the year ended December 31, 2020, the Company paid Mirva a cash payment of $50,000 and issued 200,000 common shares of the Company with a value of $38,000 to Mirva.

During the year ended December 31, 2021, the Company paid Mirva a cash payment of $100,000 and issued 400,000 common shares of the Company with a value of $36,000 to Mirva.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) BRITISH COLUMBIA (continued)

i) EMPIRE MINE PROPERTY (continued)

In order to earn a 100% interest in the Quatsino Crown Grants, the Company must pay Mirva the equivalent of $500,000 with either a cash payment or equivalent value in common shares of the Company, at the Company's election, on or before the fifth anniversary date of the Empire Option Agreement.

Mirva has retained a 2% net smelter return ("**NSR**") royalty on the Empire Mine property, of which 1% may be purchased for $1,000,000 at any time up to 120 days after commencement of commercial production. The Empire Option Agreement has been structured such that this NSR royalty plus all other NSR royalties which may currently exist and be payable on the Empire Mine property will not exceed in aggregate 2.5% before buydowns.

During the year ended December 31, 2021, the Company made a reclamation bond payment of $13,642 to the Ministry of Energy, Mines and Low Carbon Innovation which was recorded as a reclamation deposit on the Statement of Financial Position.

ii) GIN, ELDORADO AND BONANZA PROPERTIES

On April 13, 2020, the Company purchased a 100% interest in the Gin, Eldorado and Bonanza (collectively "**Red Chris**") properties from Cazador (Note 12), Rene Bernard, an individual, and Elemental (Note 12), in consideration for 11,000,000 common shares of the Company (the "**Golden Triangle Acquisition**"), which were valued at $660,000. The Red Chris properties are located in the Golden Triangle area of northern BC.

Certain claims on the Eldorado property are subject to a 2% NSR royalty, of which Cazador owns 50%.

iii) SCOTTIE WEST PROPERTY

In May 2020, the Company staked the Scottie West property located in the Golden Triangle area of northern BC, near the District of Stewart. Staking costs totaled $11,128.

On November 20, 2020, the Company entered into a farm-out agreement with Goldplay whereby Goldplay can earn a 70% interest in the Company's Scottie West property by making aggregate cash payments of $500,000, issuing common shares of Goldplay to the Company with a total value of $500,000 and incurring a minimum of $1,000,000 of exploration expenditures on the property over a four-year period, as follows:

	Cash payment $	**Share issuance** $	**Work commitment** $
Upon closing	25,000 (received)	25,000 (received)	N/A
By November 20, 2021	25,000 (received)	50,000 (received)	200,000 (completed)
By November 20, 2022	50,000	75,000	100,000
By November 20, 2023	150,000	150,000	300,000
By November 20, 2024	250,000	200,000	400,000

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) BRITISH COLUMBIA (continued)

iii) SCOTTIE WEST PROPERTY (continued)

For years one through four, Goldplay must issue shares by dividing the dollar amount by the 10-day volume-weighted average price of its publicly listed shares immediately prior to the date of the share issuance.

During the year ended December 31, 2020, the Company received an initial cash payment of $25,000 from Goldplay, applying $11,128 against the capitalized staking costs, with the remaining $13,872 recorded as mineral property recovery. In addition, the Company received 500,000 common shares of Goldplay, valued at $25,000. The common shares are recorded as marketable securities, with a corresponding amount to mineral property recovery.

During the year ended December 31, 2021, the Company staked additional Scottie West property claims for a total cost of $3,562. During the year ended December 31, 2021, the Company received a cash payment of $25,000 from Goldplay, applying $3,562 against the capitalized staking costs, with the remaining $21,438 recorded as mineral property recovery. In addition, the Company received 365,817 common shares of Goldplay valued at $50,000. The common shares are recorded as marketable securities, with a corresponding amount to mineral property recovery.

Upon Goldplay's successful completion of the farm-out, the Company and Goldplay will form a joint venture on the property. The Company will retain a 2% NSR royalty of which Goldplay can repurchase 1% of the NSR royalty for $2,000,000 at any time after a production decision has been made.

During the year ended December 31, 2021, the Company received an amount of $15,391 from Goldplay as reimbursement for certain exploration expenditures the Company incurred in 2020. The Company recorded this amount in mineral property recovery.

iv) STERLING PROPERTY

The Company owns a 100% interest in certain claims in the Sterling property, with a carrying value of $Nil, located near Houston, BC.

v) HOME BREW PROPERTY

In February 2021, the Company staked the Home Brew property located in south central BC. This property is comprised of one mineral claim. Total cost of the staking was $2,500.

vi) KNOB HILL PROPERTY

In February 2021, the Company staked the Knob Hill property located on northern Vancouver Island. Total cost of the staking was $6,974.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

a) BRITISH COLUMBIA (continued)

vii) SANDY PROPERTY

In March 2021, the Company staked the Sandy property located in southeastern BC, close to the town of Nelson. Total cost of the staking was $1,066.

b) SASKATCHEWAN

GENESIS PROPERTY

The Company owns a 50% interest in the Genesis property, with a carrying value of $Nil, located in the Athabasca Basin region of Canada.

Exploration and evaluation assets

A summary of the changes in exploration and evaluation assets is presented below:

	Empire Mine	Gin	Eldorado	Bonanza	Scottie West	Home Brew	Knob Hill	Sandy	Total
	$	$	$	$	$	$	$	$	$
Balance, December 31, 2019	-	-	-	-	-	-	-	-	-
Option payments	50,000	-	-	-	-	-	-	-	50,000
Issuance of shares	38,000	198,000	396,000	66,000	-	-	-	-	698,000
Staking	13,748	-	2,238	-	11,128	-	-	-	27,114
Recovery (Note 5(a)(iii))	-	-	-	-	(11,128)	-	-	-	(11,128)
Balance, December 31, 2020	101,748	198,000	398,238	66,000	-	-	-	-	763,986
Option payments	100,000	-	-	-	-	-	-	-	100,000
Issuance of shares	36,000	-	-	-	-	-	-	-	36,000
Staking	1,082	-	-	-	3,562	2,500	6,974	1,066	15,184
Recovery (Note 5(a)(iii))	-	-	-	-	(3,562)	-	-	-	(3,562)
Change during the year	137,082	-	-	-	-	2,500	6,974	1,066	147,622
Balance, December 31, 2021	238,830	198,000	398,238	66,000	-	2,500	6,974	1,066	911,608

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

Exploration expenditures

The Company's exploration expenditures for the year ended December 31, 2021 were as follows:

	Empire	Gin	Eldorado	Scottie West	Home Brew	Knob Hill	Other Properties	Total
	$	$	$	$	$	$	$	$
Analysis	14,845	-	-	-	-	4,929	-	19,774
Camp	18,744	-	-	-	-	388	-	19,132
Communications	1,817	-	-	-	-	-	-	1,817
Community engagement	8,700	965	2,081	-	-	-	465	12,211
Drilling	394,355	-	-	-	-	-	-	394,355
Field equipment	64,858	-	310	310	-	330	-	65,808
Fuel	23,342	-	173	217	-	62	-	23,794
Geological consulting	353,155	606	6,360	2,358	3,735	6,699	2,631	375,544
Geophysics	36,498	27,001	34,906	-	-	-	-	98,405
Helicopter	-	-	2,809	-	-	-	-	2,809
Labour and benefits	27,532	-	-	-	-	-	-	27,532
Overhead	11,747	726	1,695	656	275	-	-	15,099
Permitting	2,346	-	660	-	-	-	-	3,006
Travel and transport	62,769	894	44	-	-	356	-	64,063
	1,020,708	30,192	49,038	3,541	4,010	12,764	3,096	1,123,349
Government refund	(57,799)	-	-	-	-	-	-	(57,799)
	962,909	30,192	49,038	3,541	4,010	12,764	3,096	1,065,550

In 2021, the Company applied for a mineral exploration tax credit from the British Columbia government related to exploration expenditures incurred in 2020 with non flow-through dollars. At December 31, 2021, the amount of $57,799 was included in receivables on the statement of financial position. The full amount of $57,799 was received in January 2022.

The Company's exploration expenditures for the year ended December 31, 2020 were as follows:

	Empire	Gin	Eldorado	Scottie West	Other Properties	Total
	$	$	$	$	$	$
Analysis	25,304	-	-	439	-	25,743
Camp	8,047	-	-	669	-	8,716
Communications	1,648	-	-	-	-	1,648
Community engagement	4,554	-	-	-	-	4,554
Field equipment	7,976	-	-	-	-	7,976
Geological consulting	119,795	1,814	11,120	10,183	7,800	150,712
Geophysics	-	-	-	84,693	-	84,693
Helicopter	-	-	-	3,334	-	3,334
Labour and benefits	10,396	-	-	-	-	10,396
Permitting	4,999	-	-	-	-	4,999
Travel and transport	3,609	-	-	2,249	-	5,858
	186,328	1,814	11,120	101,567	7,800	308,629

6. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value
An unlimited number of preference shares without par value

b) Share issuance details

Year ended December 31, 2021

- On November 26, 2021, the Company completed a non-brokered private placement comprised of 8,961,539 flow-through units of the Company ("**FT Units**") at an issue price of $0.13 per FT Unit and 5,000,000 non flow-through units of the Company ("**NFT Units**") at an issue price of $0.10 per NFT Unit for gross proceeds of $1,665,000 (the "**Offering**").

  Each FT Unit consists of one common share in the capital of the Company on a flow-through basis and one-half of one non-transferable common share purchase warrant, with each whole warrant entitling the holder to acquire an additional common share of the Company at an exercise price of $0.15 per share with an expiry date of May 25, 2023. Each NFT Unit consists of one common share in the capital of the Company and one-half of one non-transferable common share purchase warrant, with the warrants having the exact same terms as the warrants associated with the FT Units.

  As a result of the participants of the FT Units paying a premium of $0.03 per unit as compared to the NFT Units, the Company allocated $896,154 of the gross proceeds from the FT Units to share capital and the remaining $268,846 to flow-through share premium liability.

  Share issue costs totaled $96,779 including finder fees of $60,960, other costs of $12,229 and 517,385 finders' warrants with a fair value of $23,590, with each finder's warrant having the same terms as the Offering warrants.

- On September 30, 2021, the Company issued 400,000 common shares of the Company with a value of $36,000 to Mirva pursuant to the Empire Option Agreement (Note 5(a)(i)).

Year ended December 31, 2020

- In October 2020, the Company issued 200,000 common shares with a value of $38,000 to Mirva pursuant to the Empire Option Agreement (Note 5(a)(i)).

- On July 31, 2020 the Company completed a non-brokered private placement by issuing 9,000,000 units (the "**Units**") at a price of $0.20 per Unit for gross proceeds of $1,800,000. Each Unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to acquire an additional common share of the Company at an exercise price of $0.30 per share with an expiry date of July 31, 2022.

  Share issue costs totaled $149,378 including $90,300 paid as finders' fees and 397,250 share purchase warrants issued as finders' fees with a fair value of $46,845. Each warrant has the same terms as those in the private placement.

- On April 13, 2020, the Company completed the second and final tranche of the non-brokered private placement, issuing 2,000,000 common shares of the Company at a price of $0.10 per share for gross proceeds of $200,000.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

b) Share issuance details (continued)

- On April 13, 2020, the Company issued 11,000,000 common shares of the Company pursuant to the Golden Triangle Acquisition.

- On March 25, 2020, the Company completed the first tranche of a non-brokered private placement, issuing 4,925,000 common shares at a price of $0.10 per share for gross proceeds of $492,500. Share issue costs totaled $30,826 including $10,860 paid as finders' fees and 108,600 share purchase warrants issued as finders' fees with a fair value of $2,192 (Note 6(d)). Each warrant was exercisable into one common share of the Company at a price of $0.10 per share with an expiry of March 25, 2022.

- During the year ended December 31, 2020, 3,600 common shares of the Company were issued pursuant to the exercise of 3,600 warrants with an exercise price of $0.10 per share for proceeds of $360.

c) Stock options

The Company has a Rolling Stock Option Plan whereby the Company may grant options to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding at the time of the grant. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price
		$
Balance, December 31, 2019	90,000	0.50
Granted	2,000,000	0.18
Forfeited	(90,000)	0.50
Balance, December 31, 2020	2,000,000	0.18
Granted	2,715,000	0.11
Forfeited	(625,000)	0.18
Balance, December 31, 2021	4,090,000	0.13

The following stock options were outstanding as at December 31, 2021:

Outstanding	Exercisable	Weighted average Exercise Price (outstanding)	Expiry Date	Weighted average remaining life (in years)
		$		
1,375,000	1,375,000	0.18	June 1, 2025	3.42
200,000	200,000	0.18	January 11, 2026	4.03
2,515,000	-	0.10	October 28, 2026	4.83
4,090,000	1,575,000	0.13		4.32

On April 8, 2022, the Company granted 100,000 stock options with an exercise price of $0.12 and an expiry of April 8, 2027 to a new employee. The options are subject to certain vesting requirements.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

d) Share purchase warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted average exercise price
		$
Balance, December 31, 2019	-	-
Issued pursuant to private placements	4,500,000	0.30
Finders' warrants issued pursuant to private placements	505,850	0.26
Exercised	(3,600)	0.10
Balance, December 31, 2020	5,002,250	0.30
Issued pursuant to private placements	6,980,767	0.15
Finders' warrants issued pursuant to private placements	517,385	0.15
Balance, December 31, 2021	12,500,402	0.21

The following warrants were outstanding as at December 31, 2021:

Outstanding	Exercisable	Exercise Price	Expiry Date
		$	
105,000 [1]	105,000	0.10	March 25, 2022
4,897,250	4,897,250	0.30	July 31, 2022
7,498,152	7,498,152	0.15	May 25, 2023
12,500,402	12,500,402		

1 Subsequent to December 31, 2021, all 105,000 warrants were exercised for gross proceeds of $10,500.

The fair value of the 517,385 warrants issued as finders' fees pursuant to the private placement completed on November 26, 2021 was $23,590 using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	1.04%
Expected stock price volatility	83%
Expected dividend yield	0.0%
Expected option life in years	1.5

The fair value of the 108,600 warrants issued as finders' fees pursuant to the private placement completed on March 25, 2020 was $2,192 using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.66%
Expected stock price volatility	88%
Expected dividend yield	0.0%
Expected option life in years	2.0

(Expressed in Canadian dollars)

6. SHARE CAPITAL (continued)

d) Share purchase warrants (continued)

The fair value of the 397,250 warrants issued as finders' fees pursuant to the private placement completed on July 31, 2020 was $46,845 using the Black-Scholes option pricing model with the following weighted average assumptions:

Risk-free interest rate	0.23%
Expected stock price volatility	82%
Expected dividend yield	0.0%
Expected option life in years	2.0

e) Share-based payments expense

The share-based payments expense for the stock options that vested during the year ended December 31, 2021 was $82,423 (2020: $249,718).

The weighted average fair value at grant date of options granted during the year ended December 31, 2021 was $0.06 (2020: $0.12).

The fair value of the stock options that were granted during the year ended December 31, 2021 and 2020 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	2020
Risk-free interest rate	1.26%	0.33%
Expected stock price volatility	87%	91%
Expected dividend yield	0.0%	0.0%
Expected option life in years	5.0	5.0

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

During the year ended December 31, 2021, the Company reclassified $78,037 (2020: $21,000) from other equity reserves to deficit with respect to options that were forfeited.

7. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

	$
Balance December 31, 2019 and 2020	-
Flow-through share premium liability on the issuance of flow-through common shares (Note 6(b))	268,846
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	(152,009)
Balance, December 31, 2021	116,837

As at December 31, 2021, an amount of $506,296 in qualifying Canadian exploration expenditures remained to be spent pursuant to the private placement of FT Units that was completed on November 26, 2021. The amount must be spent by December 31, 2022.

(Expressed in Canadian dollars)

8. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the year ended December 31 consisted of the following:

	2021	2020
	$	$
Receivables	(83,599)	(38,614)
Prepaid expenses	(50,052)	(6,250)
Accounts payable and accrued liabilities	99,337	(245,053)
	(34,314)	(289,917)

The non-cash investing and financing transactions for the year ended December 31, 2021 consisted of the Company:

- issuing 400,000 common shares with a value of $36,000 to Mirva pursuant to the Empire Option Agreement;
- receiving 365,817 common shares of Goldplay, valued at $50,000, pursuant to the Scottie West farm-out agreement; and
- issuing 517,385 warrants as finders' warrants valued at $23,590 pursuant to the private placement completed on November 25, 2021;

The non-cash investing and financing transactions for the year ended December 31, 2020 consisted of the Company:

- receiving 500,000 common shares of Goldplay, valued at $25,000, pursuant to the Scottie West farm-out agreement;
- issuing 11,000,000 common shares valued at $660,000 pursuant to the Golden Triangle Acquisition;
- issuing 200,000 common shares valued at $38,000 pursuant to the Empire Option Agreement;
- issuing 108,600 warrants as finders' warrants valued at $2,192 pursuant to the private placement completed on March 25, 2020; and
- issuing 397,250 warrants as finders' fees valued at $46,845 pursuant to the private placement completed on July 31, 2020.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company examines the various financial instruments to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk (including interest rate, currency and other price risk). The risk related to financial instruments is managed by senior management of the Company under directions approved by the Board. The Company's Board has not approved the use of derivative financial products.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial instruments

Cash, receivables, reclamation deposit and accounts payable and accrued liabilities are carried at amortized cost as they approximate their fair values due to the short-term nature of the financial instruments. Marketable securities are measured using level 1 of the fair value hierarchy.

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

Financial risk factors

The Company's risk exposures and the impact on the Company's financial statements is summarized below:

a) ***Credit risk***

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and receivables. The Company limits its exposure to credit loss by placing its cash with a major Canadian bank. The Company's significant receivables at December 31, 2021 relate to a tax credit receivable and a goods and services tax refund from government agencies of Canada who are not considered default risks.

b) ***Liquidity risk***

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company is exposed to liquidity risk and manages it through the management of its capital structure, as outlined below. All of the Company's current financial liabilities are anticipated to mature within the next fiscal period. The Company intends to settle these with funds from its positive working capital position. The Company remains exposed to liquidity risk.

c) ***Market risk***

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity prices, equity prices, and foreign currency fluctuations.

(i) Interest rate risk

Interest rate risk on cash is minimal because these investments generally have a fixed yield rate. As at December 31, 2021, the Company did not have any interest-bearing debt.

(ii) Foreign currency risk

The Company could be exposed to foreign currency risk on fluctuations related to cash, and accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2021, the Company did not have any significant exposure to foreign currencies and so considers foreign currency risk insignificant to the Company at present.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) *Market risk* (continued)

(iii) Price risk

The Company may at times have limited indirect exposure to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

10. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended December 31, 2020.

The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in response to 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 shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

11. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to loss before income taxes. These differences resulted from the following items for the years ended December 31:

	2021	2020
	$	$
Loss before income taxes	(1,280,767)	(925,920)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(345,807)	(249,998)
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	16,355	77,380
Flow-through shares	136,808	-
Change in unrecognized tax assets	212,405	208,033
Tax benefit of share issue costs	(19,761)	(35,415)
Net income tax recovery	-	-

(Expressed in Canadian dollars)

11. INCOME TAXES (continued)

The components of unrecognized deferred tax assets and liabilities were as follows at December 31:

	2021	2020
	$	$
Share issue costs	38,256	32,026
Exploration and evaluation assets	902,043	826,500
Marketable securities	(6,239)	-
Non-capital losses	878,378	741,507
Unrecognized deferred tax assets	1,812,438	1,600,033

In assessing the ability to realize deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those deferred tax assets are deductible.

As at December 31, 2021, the Company had exploration and evaluation expenditures of approximately $3,362,000 (2020: $3,825,000) which are available for carry-forward indefinitely, and non-capital losses of approximately $3,253,000 (2020: $2,746,000) that expire as follows:

	$
2031	10,000
2032	35,000
2033	40,000
2034	409,000
2035	398,000
2036	415,000
2037	494,000
2038	241,000
2039	292,000
2040	451,000
2041	468,000
	3,253,000

12. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company. Key management personnel, or their related parties, may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

In addition to key management personnel, the Company transacted with the following related parties during the year ended December 31, 2021 and/or 2020:

- Cazador Resources Ltd. ("**Cazador**"), a private company controlled by the Company's CEO, Adam Travis;

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (continued)

Key management compensation (continued)

- Elemental Partners LLP ("**Elemental**"), a partnership controlled by the Company's Chair of the Board, Fletcher Morgan;
- Farris LLP, a law firm for which Jay Sujir, a former director of the Company is a partner;
- Beneath the Surface Capital, a private company controlled by Scott Gibson, a former director and former CEO of the Company; and
- TSquared Accounting Inc. ("**TSquared**"), a private company controlled by the Company's CFO, Tim Thiessen.

a) Related Party Transactions

The Company's related party transactions for the years ended December 31 were as follows:

		2021	2020
		$	$
Consulting fees	1	160,008	223,000
Equipment rentals (exploration)	2	20,391	4,958
Geological fees (exploration)	3	117,242	33,070
Legal fees	4	-	78,589
Office and administration	5	-	3,000
Salaries	5	-	12,100
Share-based payments expense	6	64,541	209,139
Share issue costs	4	-	11,468
		362,182	575,324

1 Consulting fees for the year ended December 31, 2021 consisted of fees of $75,833 (2020: $84,000) earned by the CEO, Mr. Travis through Cazador, fees of $78,000 (2020: $49,000) earned by the CFO, Mr. Thiessen through TSquared, fees of $6,175 (2020: $42,900) earned by the Company's Business Manager through Cazador, fees of $Nil (2020: $16,100) earned by Beneath the Surface Capital, fees of $Nil (2020: $21,000) earned by Elemental and fees of $Nil (2020: $10,000) earned by the former CFO, Jasmine Lau, through Red Fern Consulting Ltd.

2 Equipment rentals for the years ended December 31, 2021 and 2020 consisted exclusively of rentals from Cazador.

3 Geological fees for the year ended December 31, 2021 consisted of fees of $106,842 (2020: $31,250) earned by the CEO through Cazador, $10,400 (2020: $Nil) earned by a director of the Company, Mr. Dan Berkshire and $Nil (2020: $1,820) earned by the Company's former VP Exploration, Mr. Dave Tupper, all of which were included in exploration expenditures.

4 Legal fees and share issue costs for the year ended December 31, 2020 consisted of amounts charged by Farris LLP. The legal fees were included in professional fees on the statement of loss and comprehensive loss and the share issue costs were netted against share capital (see Note 6(b)).

5 Office and administration costs and salaries consisted of amounts charged by Beneath the Surface Capital.

6 Share-based payments expense is a non-cash item that consisted of the fair value of stock options that have been granted to key management personnel.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS (continued)

b) Related Party Balances

Related party balances, which are included in accounts payable and accrued liabilities on the statement of financial position, consisted of the following at December 31:

	2021	2020
Current liabilities	$	$
Due to Cazador	38,454	27,853
Due to Dave Tupper, VP of Exploration	-	1,911
Due to Farris LLP	-	6,768
Due to TSquared	6,825	13,650
	45,279	50,182