CopperBank Resources Corp.

Consolidated Financial Statements

For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF COPPERBANK RESOURCES CORP.

Opinion

We have audited the consolidated financial statements of CopperBank Resources Corp. (the "Company"), which comprise:

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of $5,467,898 during the year ended December 31, 2021 and, as of that date, the Company had an accumulated deficit of $50,101,011. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditors' 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 Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 5, 2022

CopperBank Resources Corp.
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(Expressed in Canadian dollars)

	Note	**December 31, 2021**	December 31, 2020
		$	$
Assets			
Current assets			
Cash and cash equivalents	12	**4,206,827**	36,407
Other receivables		**33,050**	22,908
Prepaid expenses and deposits		**32,194**	30,798
		4,272,071	90,113
Property and equipment	4	**288,094**	200,994
Reclamation deposit	5	**8,335**	8,356
Resource properties	5	**6,664,736**	5,576,579
Total assets		**11,233,236**	5,876,042
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	6	**526,832**	366,524
Due to related parties	10	**163,916**	88,950
Convertible debentures	7	**-**	263,000
Note payable	5	**-**	63,660
		690,748	782,134
Loan payable	8	**40,000**	175,599
Total liabilities		**730,748**	957,733
Shareholders’ equity			
Share capital	9	**33,273,379**	25,478,317
Reserves	9	**27,330,120**	24,064,449
Deficit		**(50,101,011)**	(44,624,457)
Total shareholders’ equity		**10,502,488**	4,918,309
Total liabilities and shareholders’ equity		**11,233,236**	5,876,042

Nature of operations and going concern (Note 1)
Subsequent events (Note 15)

These consolidated financial statements were approved and authorized for issuance on behalf of the Board of Directors on April 05, 2022.

/s/ Russell Ball
Director

/s/ Paul Harbidge
Director

The accompanying notes are an integral part of these consolidated financial statements.

CopperBank Resources Corp.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars, except number of shares)

	Note	**2021**	2020
		$	$
Operating expenses			
Amortization	4	**15,280**	13,622
Consulting and management fees	10	**655,815**	303,345
General and administration		**131,286**	118,958
Resource property maintenance		**75,069**	87,759
Professional fees		**172,176**	78,975
Promotion, advertising, and investor relations		**331,346**	84,586
Rental		**-**	16,687
Share-based compensation	9, 10	**4,123,045**	302,594
Travel		**34,938**	41,512
Total operating expenses		**(5,538,955)**	(1,048,038)
Other income (expenses)			
Foreign exchange gain (loss)		**19,730**	(3,107)
Gain on write-off of accounts payable		**-**	60,011
Gain on disposition of property and equipment	4	**-**	107,968
Interest and finance charges		**(20,939)**	-
Recovery (impairment) of resource properties	5	**63,610**	(176,515)
Net loss		**(5,476,554)**	(1,059,681)
Other comprehensive (loss) income			
Item that may be reclassed to profit or loss			
Foreign currency translation adjustment		**(184,883)**	2,053
Comprehensive loss		**(5,661,437)**	(1,057,628)
Loss per share			
Basic and diluted		**(0.06)**	(0.01)
Weighted average number of shares outstanding			
Basic and diluted		**85,670,110**	**76,643,050**

The accompanying notes are an integral part of these consolidated financial statements.

CopperBank Resources Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars, except number of shares)

		Share capital		Reserves					
	Note	Number	Amount	Warrants	Options	Other	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		#	$	$	$	$	$	$	$
Balance, December 31, 2019		73,778,397	24,587,337	2,776,475	1,695,444	16,182,235	3,228,548	(43,687,676)	4,782,363
Share-based compensation		-	-	-	302,594	-	-	-	302,594
Share issuance for cash	9	3,629,083	820,980	-	-	-	-	-	820,980
Share issued for debt settlement	9	250,000	70,000	-	-	-	-	-	70,000
Reclassification of expired options		-	-	-	(122,900)	-	-	122,900	-
Foreign currency translation adjustment		-	-	-	-	-	2,053	-	2,053
Net loss for the year		-	-	-	-	-	-	(1,059,681)	(1,059,681)
Balance, December 31,2020		77,657,480	25,478,317	2,776,475	1,875,138	16,182,235	3,230,601	(44,624,457)	4,918,309
Share-based compensation	9, 10	-	-	-	4,123,045	-	-	-	4,123,045
Unit issuance for cash	9	16,092,358	6,257,325	-	-	-	-	-	6,257,325
Shares issued on exercise of options	9	3,022,500	1,537,737	-	(672,491)	-	-	-	865,246
Foreign currency translation adjustment		-	-	-	-	-	(184,883)	-	(184,883)
Net loss for the year		-	-	-	-	-	-	(5,476,554)	(5,476,554)
Balance, December 31, 2021		**96,772,338**	**33,273,379**	**2,776,475**	**5,325,692**	**16,182,235**	**3,045,718**	**(50,101,011)**	**10,502,488**

The accompanying notes are an integral part of these consolidated financial statements.

CopperBank Resources Corp.
Consolidated Statements of Cash Flows
For the years ended December 31, 2021 and 2020
(Expressed in Canadian dollars)

	2021	2020
	$	$
Operating activities		
Net loss	**(5,467,898)**	(1,059,681)
Items not involving cash:		
Amortization	**15,280**	13,622
Share-based compensation	**4,123,045**	302,594
Foreign exchange loss	**(183,923)**	3,107
Gain on disposition of property and equipment	**-**	(107,968)
Gain on write-off of accounts payable	**-**	(60,011)
Impairment (recovery) of resource properties	**(63,310)**	176,515
Changes in non-cash working capital:		
Other receivables	**(10,142)**	16,582
Prepaid expenses and deposits	**(1,396)**	(20,922)
Accounts payable and accrued liabilities	**110,944**	16,228
Due to related parties	**74,966**	37,950
Cash used in operating activities	**(1,402,434)**	(681,984)
Investing activities		
Resource properties expenditures	**(1,007,537)**	(238,734)
Property and equipment expenditures	**(99,900)**	-
Proceeds from disposition of property	**-**	107,968
Cash used in investing activities	**(1,107,437)**	(130,766)
Financing activities		
Repayment of convertible debenture	**(243,270)**	-
Repayment of loan payable	**(135,599)**	-
Repayment of note payable	**(63,660)**	(40,916)
Proceeds from loan payable	**-**	40,000
Proceeds from exercise of options	**865,246**	-
Proceeds from private placements	**6,257,325**	820,980
Cash provided by financing activities	**6,680,042**	820,064
Effect of foreign exchange on cash and cash equivalents	**251**	12,853
Net increase in cash and cash equivalents	**4,170,420**	20,167
Cash and cash equivalents, beginning of the year	**36,407**	16,240
Cash and cash equivalents, end of the year	**4,206,827**	36,407

Supplemental cash flow information (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

CopperBank Resources Corp. (the “Company” or “CopperBank”) was incorporated on October 21, 2014 under the Business Corporations Act (British Columbia). The Company’s registered office is Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5. The Company’s head office and principal address is located at 250 - 200 Burrard Street, Vancouver, British Columbia, V6C 3L6. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “CBK”, and its principal business is the acquisition and development of resource properties.

As of the date of these consolidated financial statements (the “financial statements”), COVID-19 has had no impact on the Company’s ability to access and explore its current properties but may impact the Company’s ability to raise funding or explore its properties should travel restrictions related to COVID-19 be extended or expanded in scope.

On July 8, 2020, the Company consolidated its outstanding common shares on a four-for-one basis. The presentation of number of shares, warrants, stock options and loss per share in these financial statements have been retrospectively adjusted for this share consolidation.

Going Concern

These financial statements have been prepared based on accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company is a resource exploration stage company, which does not generate any revenue and has been relying on equity-based financing to fund its operations. The Company has recurring losses since inception and had an accumulated deficit of $50,101,011 as at December 31, 2021 (2020 - $44,624,457). The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements or a combination thereof to meet its administrative costs and to continue to explore and develop its resource properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern is in significant doubt.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss (“FVTPL”). In addition, except for cash flow information, these financial statements have been prepared using the accrual method of accounting.

c) Functional and presentation currency

The financial statements are presented in Canadian dollars (“C$”), except as otherwise noted. The functional currency is the currency of the primary economic environment in which an entity operates. Amounts denominated in United States dollars are denoted as US$.

d) Basis of consolidation

These financial statements include the accounts of the Company and its subsidiaries. All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

2. BASIS OF PRESENTATION (continued)

d) Basis of consolidation (continued)

These financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of subsidiary	Country of incorporation	Percentage ownership	Functional currency	Principal activity
1016079 B.C. Ltd.	Canada	100%	C$	Mining company
CopperBank Resources Alaska Inc.	USA	100%	C$	Mining company
CopperBank Royalties Corp.	Canada	100%	C$	Mining company
Copper Creek Project LLC	USA	100%	US$	Mining company
Enexco International Inc.	USA	100%	US$	Mining company
Redhawk Copper Inc.	USA	100%	US$	Mining company
Redhawk Resources (USA), Inc.	USA	100%	US$	Mining company
Redhawk Resources, Inc.	Canada	100%	C$	Mining company

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income (“FVTOCI”), or measured at fair value through profit or loss (“FVTPL”).

(i) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value less transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary. The Company does not have any financial assets measured at amortized cost.

(ii) Financial assets measured at FVTPL

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

The Company’s cash and cash equivalents are financial assets measured at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

(b) Classification of financial assets (continued)

(iii) Financial assets measured at FVTOCI

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

The Company’s does not have any financial assets measured at FVTOCI.

(c) Derecognition of financial assets

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

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities measured at amortized cost or measured at fair value through profit or loss.

(i) Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction costs directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

The Company’s accounts payable and accrued liabilities, due to related parties, convertible debentures, loan payable, and note payable are financial liabilities measured at amortized cost.

(ii) Financial liabilities measured at FVTPL

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

The Company does not have any financial liabilities measured at FVTPL.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Significant estimates and judgments

Apart from making estimates and assumptions as described below, the Company's management makes critical judgments in the process of applying its accounting policies that have a significant effect on the amounts recognized in the Company's financial statements. The significant judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimation uncertainties, that have the most significant effect include, but are not limited to:

- The indicators of impairment of property and equipment and resource properties

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

  Significant judgment is required when determining whether facts and circumstances suggest that the carrying amount of resource properties may exceed its recoverable amount. The retention of regulatory permits and licenses, the Company's ability to obtain financing for exploration and development activities and its future plans on the resource properties, current and future metal prices, and market sentiment are all factors considered by the Company.

  In respect of the carrying value of property and equipment recorded on the consolidated statements of financial position, management has determined that it continues to be appropriately recorded, as there has been no obsolescence or physical damage to the assets and there are no indications that the value of the assets have declined more than what is expected from the passage of time or normal use.

- The determination of the Company and its subsidiaries' functional currency

  The determination of the functional currency for the Company and each of its subsidiaries was based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

- The recognition of deferred income tax assets

  The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

- The assessment of the Company's ability to continue as a going concern

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant estimates and judgments (continued)

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Significant areas requiring the use of management estimates include:

- Interest rate used in determining the fair value of liability component of its convertible debentures and long-term debt.
- The inputs used in the Black-Scholes option pricing model to calculate the fair value of options.

While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of shares outstanding in the period. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. The calculation of diluted loss per share excludes the effects of conversion or exercise of options and warrants if they would be anti-dilutive.

Resource properties

Costs directly related to the exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Resource properties are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as resource property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on option or disposition of resource property.

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Foreign operations

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency will be translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in other comprehensive loss.

Comparative figures

Certain comparative figures have been reclassified to conform with current period presentation.

Cash and cash equivalents

As at December 31, 2021, cash and cash equivalents contain a cashable term deposit of $2,300 (December 31, 2020 - $2,300) that is readily convertible into a known amount of cash.

Property and equipment

Property and equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization is calculated using the straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each class of property and equipment are as follows:

Class of property and equipment	Depreciation rate
Building	25 years
Equipment	5 years
Land	Nil

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU (the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflow from other assets or groups of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use) to which the assets belong.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized in profit or loss for the period, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions on reserves and expected future production revenues and expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. During the year ended December 31, 2021, the Company recognized an impairment reversal of $63,610 (2020 - impairment expense of $176,515).

Non-monetary transactions

Shares issued for non-monetary consideration are valued at the fair value of the assets received or services rendered or the quoted market price of the shares at the date of issuance, whichever is determined to be the more reliable measure.

Unit issuance

Proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants.

Share issuance costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as share issuance costs.

Share-based payments

The Company has a stock option plan that is described in Note 9. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related amount originally recorded in option reserve is transferred to share capital. For those unexercised options that expire, the recorded value is transferred to deficit. For those unexercised options that are cancelled or forfeited, the recorded value remains in option reserve.

Provision for closure and reclamation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of resource properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimate of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current income tax

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

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

Deferred income tax

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

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

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

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

Compound financial instruments

The convertible debentures were separated into their liability and equity components on issuance of the instruments. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon debt instruments with no bonus shares, conversion feature or warrants issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for debt instruments with similar terms at the time of issue. The residual value is then allocated to the equity component.

(Expressed in Canadian dollars, except where noted)

4. PROPERTY AND EQUIPMENT

The following table presents a continuity of property and equipment:

	Building	Land	Equipment	Total
	$	$	$	$
Cost				
Balance, December 31, 2019	214,541	32,471	-	247,012
Foreign exchange adjustment	(4,229)	(641)	-	(4,870)
Balance, December 31, 2020	210,312	31,830	-	242,142
Additions	60,446	-	39,454	99,900
Foreign exchange adjustment	2,575	326	-	2,901
Balance, December 31, 2021	273,333	32,156	39,454	344,943
Accumulated amortization				
Balance, December 31, 2019	28,079	-	-	28,079
Additions	13,622	-	-	13,622
Foreign exchange adjustment	(553)	-	-	(553)
Balance, December 31, 2020	41,148	-	-	41,148
Additions	14,043	-	1,237	15,280
Foreign exchange adjustment	421	-	-	421
Balance, December 31, 2021	55,612	-	1,237	56,849
Net book value				
Balance, December 31, 2020	169,164	31,830	-	200,994
Balance, December 31, 2021	217,721	32,156	38,217	288,094

During the year ended December 31, 2020, the Company sold drilling equipment for a gain of $107,968, with net book value of $nil.

5. RESOURCE PROPERTIES

The following table presents a continuity of resource properties:

	Pyramid	Copper Creek	Total
	$	$	$
Balance, December 31, 2019	-	5,361,729	5,361,729
Annual option fees and maintenance of permits	176,515	222,523	399,038
Impairment	(176,515)	-	(176,515)
Effect of change in foreign exchange rate	-	(7,673)	(7,673)
Balance, December 31, 2020	-	5,576,579	5,576,579
Permit Maintenance and land access costs	-	175,625	175,625
Exploration and geological work	-	627,438	627,438
Capitalized payroll	-	149,177	149,177
Deposit on resource properties	-	37,614	37,614
Other capitalized costs	-	121,703	121,703
Effect of change in foreign exchange rate	-	(23,400)	(23,400)
Balance, December 31, 2021	**-**	**6,664,736**	**6,664,736**

(Expressed in Canadian dollars, except where noted)

5. RESOURCE PROPERTIES (continued)

Copper Creek Resource Properties, Arizona

i) The Company acquired 100% of the Copper Creek project through the acquisition of Redhawk Resources Inc. ("Redhawk") for a value of $4,955,328 in 2018.

ii) D & G Mining Agreement – In November 2005, Redhawk entered into a lease-to-purchase agreement with a third party for additional property within the Copper Creek boundaries. Redhawk paid US$80,000 in both 2006 and 2007 and was required to pay US$100,000 in November 2008 and annually thereafter until the end of year fifteen. In May 2018, the agreement was amended to reduce the annual payments to US$50,000. During the year ended December 31, 2021, $62,926 (US$50,000) (2020 - $68,482 (US$50,000)) was paid.

Redhawk has the option to purchase the property for US$3,000,000. Commencing January 1, 2022, 50% of the yearly lease payments made prior to exercising the option to purchase will be applied against the purchase price in the event that Redhawk exercises its property purchase option.

iii) Freeport Mineral Corporation Agreement – In April 2007, Redhawk entered into a purchase agreement with Freeport Mineral Corporation ("Freeport") to acquire additional mining claims within the Copper Creek boundaries. The additional mining claims are subject to a 1% Net Smelter Return royalty.

On May 30, 2018, Redhawk entered into an amendment to the Fourth Workout Agreement with Freeport. The substance of the amended agreement is a conversion of interest and principal owing to Freeport into production decision royalty payments. The total will be US$3,000,000 paid in six equal annual instalments of US$500,000 per annum. The payments are contingent upon Redhawk or successors achieving a defined commercial production of minerals. As a result of this amendment, no liabilities in connection with this promissory note have been recorded as of December 31, 2021 and 2020.

iv) Morgan Agreements – In December 2012, Redhawk acquired patented land from two unrelated parties for total consideration of US$1,200,000. Redhawk was required to pay $nil in 2021 (2020 - $63,660 (US$50,000)). The outstanding balance related to this obligation of $63,660 (US$50,000) was paid in March 2021.

Contact Copper Property, Nevada

The Company owns a 100% interest in the Contact Copper property located in Elko County, Nevada. This property was fully impaired during the year ended December 31, 2015. All permits of this resource property are in good standing.

As at December 31, 2021, the Company had deposited $8,335 (2020 - $8,356) for the reclamation deposits of the Contact Copper property in Nevada and for the Copper Creek property in Arizona.

During the year ended December 31, 2021, the Company negotiated a settlement agreement to settle $176,625 in accounts payable related to the property by paying $113,015. As a result, the Company recognized a recovery of resource properties of $63,610.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021	2020
	$	$
Resource properties	**287,694**	183,896
Office and administration	**210,389**	74,200
Professional fees	**28,749**	108,428
Balance, December 31	**526,832**	366,524

7. CONVERTIBLE DEBENTURES

On June 17, 2019, the Company closed a non-brokered private placement of convertible debentures ("CDs") for gross proceeds of $263,000. Each CD had a face value of $1,000 and interest rate of 15% per annum, payable monthly. The CDs had a maturity date of June 14, 2021. Each CD was convertible into common shares of the Company at the option of the holder at any time prior to maturity at a conversion price of $0.28 per common share. The Company had the option to redeem each CD at a price equal to its principal amount plus accrued and unpaid interest. The interest rate on the CDs approximated the market interest rate when determining the fair value of the liability component. Thus, no value was assigned to the equity component.

During the year ended December 31, 2021, the Company repaid the outstanding principal and accrued interest of the CDs. The amount of interest paid during the year ended December 31, 2021 was $19,050 (2020 - $20,475).

8. LOAN PAYABLE AND NOTE PAYABLE

a) CEBA loan

In connection to the outbreak of COVID-19, the Company received $40,000 in Canada Emergency Business Account ("CEBA") loan from the Government of Canada. The CEBA loan is non-interest bearing and matures on December 31, 2022. The principal balance of $40,000 (December 31, 2020 - $40,000) is included in loan payable as at December 31, 2021. On January 12, 2022, the Canadian Government announced the CEBA loan forgiveness repayment date will be extended to December 31, 2023 for eligible CEBA loan holders in good standing.

b) Debt repayment agreement

In connection with a debt payment agreement (the "Agreement") with the original optionor (the "Optionor") of the Pyramid Project, the Company owed the Optionor $173,710 (US$125,000) plus interest at 10% per annum, which is due on March 4, 2022. The Company is required to pay to the Optionor at least 20% of the net proceeds from any debt or equity financing or sale of any assets. During the year ended December 30, 2020, the Company paid US$40,000 towards this debt. During the year ended December 31, 2021, the Company paid $135,999 to repay the principal and accrued interest. As at December 31, 2021, the remaining balance of this debt is $nil (2020 - $135,599).

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding

<u>Year ended December 31, 2021</u>

On February 19, 2021, the Company closed a private placement and issued 3,592,358 common shares at a price of $0.35 per share for gross proceeds of $1,257,325.

On September 16, 2021, the Company closed a private placement offering of 12,500,000 units of the Company (the "Units") at a price of $0.40 per Unit, for aggregate gross proceeds to the Company of $5,000,000. Each Unit consists of one common share of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $0.60 at any time up to five years following the issuance. The Company allocated all the proceeds to share capital.

During the year ended December 31, 2021, the Company issued 3,022,500 common shares pursuant to the exercise of 3,022,500 stock options with exercise prices varying from $0.20 to $0.40. The Company received gross proceeds of $865,246 and reallocated $672,491 from the Company's options reserve into share capital.

<u>Year ended December 31, 2020</u>

In January 2020, the Company closed a private placement and issued 1,250,000 common shares at a price of $0.24 per share for net proceeds of $300,000.

In February 2020, the Company closed a private placement and issued 791,583 common shares at $0.24 per share for net proceeds of $189,980. The Company also issued 250,000 common shares to settle the share issuance obligation of $70,000 at December 31, 2021.

In May 2020, the Company closed a private placement and issued 337,500 common shares at $0.24 per share for gross proceeds of $81,000.

In July 2020, the Company closed a private placement and issued 1,250,000 common shares at $0.20 per share for gross proceeds of $250,000.

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)

c) Warrants

The following is a summary of the Company's warrants for the years ended December 31, 2021 and 2020:

	Number of warrants outstanding	Weighted average exercise price per share
	#	$
Balance, December 31, 2020 and 2019	1,293,341	1.00
Issued	12,500,000	0.60
Balance, December 31, 2021	**13,793,341**	**0.64**

Expiry date	Number of warrants outstanding	Weighted average exercise price per share	Weighted average remaining life
	#	$	years
August 21, 2022	1,293,341	1.00	0.64
September 16, 2026	12,500,000	0.60	4.71
Balance, December 31, 2021	**13,793,341**	**0.64**	**4.33**

d) Options

The Company had a "rolling" stock option plan (the "Legacy Plan") that allowed the Company to grant options to its employees, directors, consultants and officers for a maximum of 10% of outstanding shares to be issued.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period.

On October 15, 2021, following a vote by shareholders, the Company adopted a new Long-Term Incentive Plan (the "LTIP"), which provides for the granting of deferred share units ("DSU"), restricted share units ("RSU"), performance share units ("PSU"), and stock options ("Options"). The maximum number of common shares reserved for issuance under the LTIP (with any other share-based compensation arrangement, including the Legacy Plan) will be 19,296,967.

The following is a summary of the Company's stock options for the years ended December 31, 2021 and 2020:

	Number of options outstanding and exercisable	Weighted average exercise price per share
	#	$
Outstanding, December 31, 2019	5,012,500	0.40
Forfeited	(600,000)	0.40
Expired	(637,500)	0.40
Granted	3,800,000	0.23
Outstanding, December 31, 2020	7,575,000	0.31
Cancelled	(1,087,500)	0.38
Exercised	(3,022,500)	0.29
Granted	11,535,000	0.39
Outstanding, December 31, 2021	**15,000,000**	**0.39**
Exercisable, December 31, 2021	**8,171,667**	**0.39**

On March 18, 2021, the Company granted 210,000 stock options with an exercise price of $0.65 and expiry date of March 18, 2024. All these stock options vest over two years.

On June 9, 2021, the Company granted 325,000 stock options with an exercise price of $0.60 and expiry date of June 9, 2026. The stock options vested immediately.

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)

d) Options (continued)

On July 21, 2021, the Company granted 1,350,000 stock options with an exercise price of $0.40 and expiry date of July 21, 2026. The stock options vested immediately.

On October 15, 2021, the Company issued a total of 9,650,000 stock options with a grant date of September 2, 2021, an exercise price of $0.40 and expiry date of September 2, 2026, following shareholder approval of the LTIP. One third of the options vested on October 15, 2021, one third vest on October 15, 2022, and one third vest on October 15, 2023.

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

Expiry date	Exercise price per share	Number of options outstanding	Number of options exercisable
	$	#	#
February 24, 2022	0.40	150,000	150,000
July 28, 2022	0.52	150,000	150,000
May 10, 2023	0.40	1,490,000	1,490,000
February 28, 2024	0.40	250,000	250,000
March 18, 2024	0.65	60,000	15,000
July 24, 2025	0.23	1,575,000	1,225,000
June 9, 2026	0.60	325,000	325,000
July 21, 2026	0.40	1,350,000	1,350,000
September 2, 2026	0.40	9,650,000	3,216,667
Balance, December 31, 2021		**15,000,000**	**8,171,667**

The remaining contractual life of the Company's options as at December 31, 2021 was 4.07 years (2020 - 3.24 years).

During the year ended December 31, 2021, the Company incurred share-based compensation of $3,967,212 in connection with options vested (2020 - $302,594). The Company used the Black-Scholes option pricing model and the following assumptions to determine the fair values of the stock options:

	October 15, 2021	July 21, 2021	June 9, 2021
Stock price	$0.78	$0.39	$0.58
Risk-free interest rate	1.23%	0.80%	1.00%
Expected life of the option	5 years	5 years	5 years
Annualized volatility	125%	125%	125%
Dividend rate	0.00%	0.00%	0.00%

	March 18, 2021	Jul 24, 2020
Stock price	$0.64	$0.20
Risk-free interest rate	0.53%	0.34%
Expected life of the option	5 years	5 years
Annualized volatility	125%	145%
Dividend rate	0.00%	0.00%

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

(Expressed in Canadian dollars, except where noted)

9. SHARE CAPITAL (continued)

e) Restricted share units

On December 1, 2021, the Company granted 500,000 restricted share units ("RSUs") to an employee of the Company at a price of $0.68. Of the granted RSUs, one third vested immediately, one third will vest one year from the grant date, and one third will vest two years from the grant date. As a result, the Company recorded $155,833 of share-based compensation for the value of the RSUs granted.

10. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2021 and 2020, the Company had the following transactions with key management personnel and the directors of the Company:

	2021	2020
	$	$
Consulting and management fees	**652,541**	259,000
Share-based compensation	**3,191,454**	200,346

As at December 31, 2021, amount due to related parties comprised of amounts owing to key management members and a director totaling $163,916 (December 31, 2020 - $88,950). Due to related parties has the same terms as the Company's accounts payable and accrued liabilities, which is unsecured and non-interest-bearing and with no specific terms.

During the year ended December 31, 2021, amounts capitalized from compensation for related parties totaled $97,562 (December 31, 2020 - $nil).

During the year ended December 31, 2021, directors subscribed for a total of 3,000,000 Units of the private placement in September 2021.

11. INCOME TAXES

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	Year ended December 31,	
	2021	2020
	$	$
Loss for the year	(5,476,554)	(1,059,681)
Statutory tax rate	27%	27%
Expected income tax (recovery)	(1,479,000)	(286,000)
Difference in tax rates between jurisdictions	-	2,000
Non-deductible expenditures and non-taxable revenues	1,113,000	82,000
Change in statutory, foreign tax, foreign exchange rates and other	(168,000)	147,000
Adjustment to prior years provision versus statutory tax returns and unused non-capital losses not recognized	2,000	68,000
Change in other unrecognized deferred tax assets	532,000	(13,000)
Total income taxes	**-**	**-**

(Expressed in Canadian dollars, except where noted)

11. INCOME TAXES (continued)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2020 and 2019 are presented below:

		Year ended December 31,
	2021	2020
Deferred tax assets (liabilities)		
Non-Capital losses	5,000	8,000
Mineral resource properties	(5,000)	(8,000)
Net deferred tax asset	**-**	**-**

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		Year ended December 31,
	2021	2020
Deferred tax assets (liabilities)		
Resource properties	45,699,000	46,497,000
Non-capital losses	52,969,000	51,623,000
Property and equipment	1,801,000	1,801,000
Share issuance cost	1,000	1,000
Capital losses	25,000	25,000
Unrecognized deferred tax assets	**100,495,000**	**99,947,000**

As at December 31, 2021, the Company has US non-capital losses of approximately $33 million that may be applied to reduce future US taxable income. The Company also has Canadian non-capital losses of approximately $20 million that may be applied to reduce future Canadian taxable income. The losses will expire between 2027 and 2041.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to several financial and market risks, including credit, interest rate, liquidity and commodity risks. The Company may, or may not, establish from time-to-time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of cash flow of its operations would warrant such hedging activities.

Fair value of financial instruments

The fair value hierarchy established by IFRS 13, *Fair Value Measurement* has three levels to classify the inputs to valuation techniques used to measure fair value described as follows:

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

The fair values of the Company's cash and cash equivalents, accounts payable and accrued liabilities, convertible debenture, note payable, loans payable, and due to related parties are equivalent to their carrying values due to their short-term nature.

(Expressed in Canadian dollars, except where noted)

12. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents. The Company mitigates its exposure to credit loss associated with cash and cash equivalents by placing its cash and cash equivalents in major financial institutions. As at December 31, 2021, the Company had cash equivalents of $2,300 in term deposits (December 31, 2020 - $2,300).

Liquidity risk and fair value hierarchy

Liquidity risk is the risk that the Company may be unable to meet its financial obligations as they fall due or that it will be required to meet them at excessive cost. The Company reviews its working capital position regularly to ensure there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts, which are available on demand. The Company manages its liquidity risk mainly through raising funds from private placements and amounts from related parties.

The Company's operating cash requirements are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

Commodity risk

Commodity risk is the risk that the Company is subject to commodity price risk arising from the fluctuation of metal price beyond the Company's control. The Company may have difficulties to identify and acquire economically viable projects for the Company to invest in if metal prices are depressed for an extended period.

Interest rate risk

Interest rate risk is the risk that the Company is exposed to the risk that the value of financial instruments will change due to movements in market interest rates. As of December 31, 2021, the Company did not have debt instruments exposed to variable interest rate. The risk is not significant.

Foreign currency risk

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.

As at December 31, 2021 and 2020, the Company's exposure to foreign currency risk on its financial instruments is as follows:

		2021		2020
Cash	**US$**	**8,614**	US$	19,200
Note payable	**US$**	**-**	US$	(50,000)
Loans payable	**US$**	**-**	US$	(106,803)
Total	**US$**	**8,614**	US$	(137,603)
Canadian dollar equivalent	**$**	**10,967**	$	(174,755)

A 5% change in the US dollar against the Canadian dollar at December 31, 2021 would result in an a $548 impact to the Company.

(Expressed in Canadian dollars, except where noted)

13. SEGMENTED INFORMATION

The Company operates primarily in one business segment, which is the exploration and development of resource properties located in the United States. As at December 31, 2021, the Company's non-current assets were $6,961,167 (December 31, 2020 - $5,785,929), which comprised mainly of resource properties, property and equipment, and reclamation bonds that are in the United States.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	2021	2020
	$	$
Non-cash transactions during the year:		
Common shares issued for debt	**-**	70,000
Resource property additions included in loans payable	**-**	176,515
Resource property additions included in accounts payable and accrued liabilities	**287,694**	183,896
Cash transactions during the year:		
Interest paid on convertible debt	**19,050**	41,071
Interest paid on loan	**1,889**	15,084
Income tax paid	**-**	-

15. SUBSEQUENT EVENTS

On January 28, 2022, 75,000 stock options were exercised for gross proceeds of $17,250.

In January 2022, the Company granted 162,000 RSUs to employees of the Company. Of these RSUs, one third vested immediately, one third will vest one year from the grant date, and one third will vest two years from the grant date.

In February 2022, 150,000 stock options were exercised for gross proceeds of $55,750.

In February 2022, the Company granted 344,000 stock options with exercise prices from $0.80 to $0.94 per share to consultants, directors, and officers of the Company. These options can be exercised for a period of five years from the date of grant and are subject to the policies of the CSE. 50% of these options will vest one year from the grant date and 50% will vest two years from the grant date.

In March 2022, 75,000 stock options were exercised for gross proceeds of $25,750.

On March 1, 2022, the Company granted 120,000 RSUs to an employee of the Company. Of these RSUs, one third vested immediately, one third will vest one year from the grant date, and one third will vest two years from the grant date.

In March 2022, 190,100 common shares were issued in accordance with the conversion of RSUs.

On April 1, 2022, the Company granted 500,000 stock options with an exercise price of $0.86 per share to employees of the Company. These options can be exercised for a period of five years from the date of grant and are subject to the policies of the CSE. One third of these options vest on September 1, 2022, 2023, and 2024 respectively.