



(formerly First Mexican Gold Corp.)

Annual Consolidated Financial Statements

Years ended December 31, 2021 and 2020

(Stated in Canadian Dollars)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of QcX Gold Corp. (formerly First Mexican Gold Corp.) have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and within the framework of the summary of significant accounting policies in these consolidated financial statements.

A system of accounting control is maintained in order to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded in accordance with management’s authorization. This system includes established policies and procedures, the selection and training of qualified personnel and an organization providing for appropriate delegation of authority and segregation of responsibilities.

The Audit Committee of the Board of Directors meets periodically with management and the Company’s independent auditors to review the scope and results of their annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by Jones & O’Connell LLP, Chartered Professional Accountants on behalf of the shareholders and their report follows.

“Kelly Malcolm”

Director

“Daniel Nauth”

Director

April 27, 2022

Independent Auditor's Report

To the Shareholders of QcX Gold Corp.

Opinion

We have audited the consolidated financial statements of **QcX Gold Corp.** ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020 and the consolidated statements of loss and comprehensive loss, consolidated statements of equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the company had a net loss of \$157,275 for the year (2020 - \$783,400), had not yet achieved profitable operations, has accumulated losses of \$15,451,038 (2020 - \$15,293,763) and expects to incur future losses in the development of its business. 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.

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

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

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

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

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

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

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

Independent Auditor's Report

To the Shareholders of QcX Gold Corp. (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Jones & O'Connell LLP

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

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Consolidated Statements of Financial Position
(Stated in Canadian Dollars)

	Note	December 31, 2021	December 31, 2020
Assets			
Current			
Cash		\$ 111,036	\$ 1,899,712
Amounts receivable	4	213,288	50,887
Prepaid expenses		39,519	33,698
		363,843	1,984,297
Exploration and evaluation assets	5	3,871,248	1,775,993
TOTAL ASSETS		\$ 4,235,091	\$ 3,760,290
Liabilities			
Current			
Accounts payable and accrued liabilities	6 & 8	\$ 85,002	\$ 113,593
Deferred gain on sale of flow-through rights	7	5,810	183,667
Due to related parties	8	103,366	78,366
Total liabilities		194,178	375,626
Equity			
Share Capital	7	16,946,856	16,188,669
Reserves	7	2,545,095	2,489,758
Deficit		(15,451,038)	(15,293,763)
Total equity		4,040,913	3,384,664
TOTAL LIABILITIES AND EQUITY		\$ 4,235,091	\$ 3,760,290

Nature of Operations and Going Concern (Note 1)
Commitments (Note 5)

These consolidated financial statements were authorized for issue by the Board of Directors on April 27, 2022. They are signed on behalf of the Board of Directors by:

“Kelly Malcolm”
Director

“Daniel Nauth”
Director

See accompanying notes to the audited consolidated financial statements.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Consolidated Statements of Loss and Comprehensive Loss
(Stated in Canadian Dollars)

		Year ended December 31,	
	Note	2021	2020
Expenses			
Management and consulting fees		\$ 60,000	\$ 60,000
Professional fees		116,541	121,758
Office and administration		32,774	5,104
Regulatory and transfer agent fees		55,708	146,069
Mineral property costs		-	40,000
Bad debt		-	112,500
Stock-based compensation	7	166,897	665,997
Loss before the following items:		(431,920)	(1,151,428)
Gain on sale of flow-through rights	7	274,645	45,175
Gain on reversal of accounts payable and accrued liabilities		-	321,727
Foreign exchange gain		-	1,126
Net loss and comprehensive loss		\$ (157,275)	\$ (783,400)
Basic and diluted loss per common share	10	\$ (0.00)	\$ (0.02)
Basic and diluted weighted average number of common shares outstanding		61,883,643	37,935,694

See accompanying notes to the audited consolidated financial statements.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Consolidated Statements of Equity (Deficiency)
For the Years ended December 31, 2021 and 2020
(Stated in Canadian Dollars)

(Unaudited)

	SHARE CAPITAL		RESERVES			Deficit	TOTAL
	NUMBER	AMOUNT	Equity settled employee benefits	Warrant	Total		
Balance, December 31, 2019	28,247,637	12,055,798	1,586,476	67,350	1,653,826	(14,510,363)	(800,739)
Private placement – units	6,360,961	858,730	-	-	-	-	858,730
Private placement – Flow-through units	11,956,720	1,921,170	-	-	-	-	1,921,170
Shares issued on property acquisition	5,150,000	1,262,000	-	-	-	-	1,262,000
Shares issued on exercise of warrants	8,350,000	626,250	-	-	-	-	626,250
Flow-through feature on shares issued	-	(228,842)	-	-	-	-	(282,842)
Share issue cost – cash	-	(136,502)	-	-	-	-	(136,502)
Shares issue cost – finders warrants	-	(47,514)	-	47,514	47,514	-	-
Shares issue cost – broker warrants	-	(122,421)	-	122,421	122,421	-	-
Stock-based compensation	-	-	665,997	-	665,997	-	665,997
Net loss for the year	-	-	-	-	-	(783,400)	(783,400)
Balance, December 31, 2020	60,065,318	16,188,669	2,252,473	237,285	2,489,758	(15,293,763)	3,384,664
Private placement – Flow-through units	3,733,333	560,000	-	-	-	-	560,000
Shares issued on property acquisition	150,000	19,500	-	-	-	-	19,500
Shares issued on exercise of warrants	637,661	56,913	-	(3,017)	(3,017)	-	53,896
Shares issued on exercise of options	1,000,000	275,382	(125,382)	-	(125,382)	-	150,000
Flow-through feature on shares issued	-	(96,788)	-	-	-	-	(96,788)
Share issue cost – cash	-	(39,981)	-	-	-	-	(39,981)
Share issue costs – broker warrants	-	(16,839)	-	16,839	16,839	-	-
Stock-based compensation	-	-	166,897	-	166,897	-	166,897
Net loss for the year	-	-	-	-	-	(157,275)	(157,275)
Balance, December 31, 2021	65,586,312	16,946,856	2,293,988	251,107	2,545,095	(15,451,038)	4,040,913

See accompanying notes to the audited consolidated financial statements.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Consolidated Statements of Cash Flows
(Stated in Canadian Dollars)
(Unaudited)

	Year ended December 31,	
	2021	2020
Cash provided by (used in):		
Operating Activities		
Net loss for the year	\$ (157,275)	\$ (783,400)
Items not involving cash:		
Gain on sale of flow-through rights	(274,645)	(45,175)
Stock-based compensation	166,897	665,997
Gain on reversal of accounts payable and accrued liabilities	-	(321,727)
Bad debt	-	112,500
Changes in non-cash working capital:		
Amounts receivable	(162,401)	(12,450)
Prepaid expenses	(5,821)	(33,698)
Accounts payable and accrued liabilities	(28,591)	105,789
Due to related parties	25,000	(97,382)
Cash provided (used) in operation activities	(436,836)	(409,546)
Financing Activities		
Capital stock issue for cash, net	723,915	2,669,647
Cash provided in financing activities	723,915	2,669,647
Investing Activities		
Addition to exploration and evaluation assets	(2,075,755)	(513,993)
Cash used in investing activities	(2,075,755)	(513,993)
(Decrease) increase in cash	(1,788,676)	1,746,108
Cash, beginning of year	1,899,712	153,604
Cash, end of year	\$ 111,036	\$ 1,899,712

**SUPPLEMENTAL CASH FLOW DISCLOSURE AND NON-
CASH FINANCING AND INVESTING ACTIVITY:**

Cash paid for income taxes	\$ -	\$ -
Warrants exercised; proceeds netted against due from related parties	\$ -	\$ 600,000
Shares issued for acquisition of exploration and evaluation assets	\$ 19,500	\$ 1,262,000

See accompanying notes to the audited consolidated financial statements.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Notes to the Consolidated Financial Statements
Year Ended December 31, 2021 and 2020
(Stated in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

QcX Gold Corp. (formerly First Mexican Gold Corp) (“**QcX**” or the “**Company**”), was incorporated under the *Business Corporations Act* (British Columbia) on August 9, 2007. The Company is engaged principally in the acquisition, exploration and development of mineral properties. The Company’s head office is located at Suite 401, 217 Queen Street West, Toronto, ON M5V 0R2 and the Company’s registered and records office is located at Suite 1100, 736 Granville Street, Vancouver, BC V6Z 1G3.

The Company is in the process of exploring and evaluating its exploration and evaluation assets. The underlying value of the exploration and evaluation assets is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values.

At December 31, 2021, the Company had working capital of \$169,665 (2020 – \$1,608,671) and an accumulated deficit of \$15,451,038 (2020 - \$15,293,763). The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its mineral property interests. The Company’s ability to continue as a going-concern is dependent on the ability of the Company to raise equity financing in the future to fund further exploration work and to fund continuing operating losses, and ultimately on the attainment of profitable operations to meet the Company’s liabilities as they become payable.

These financial statements have been prepared on a going-concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. As at December 31, 2021, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its business plan. The Company plans on raising sufficient funds in order to finance ongoing exploration and administrative expenses through additional equity financing however, there can be no assurance that such financing will be available or be available on favorable terms. All of these factors may cast significant doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments for the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going-concern.

The COVID-19 pandemic has not resulted in any material impact on operations and the Company currently does not expect it will impact its 2022 operations. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at year end. Management continues to monitor the situation at the site and corporate office to identify any issues that may affect operational or financial reporting activities.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended December 31, 2021.

b) Basis of Consolidation

The consolidated financial statements as at and for the year ended December 31, 2021 include the accounts of the Company for the year and those of its wholly owned subsidiary - 2678581 Ontario Inc., incorporated under the laws of the Province of Ontario. The consolidated entity is hereinafter collectively referred to as the “Company”.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Notes to the Consolidated Financial Statements
Year Ended December 31, 2021 and 2020
(Stated in Canadian Dollars)

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

b) Basis of Consolidation (continued)

A wholly owned subsidiary is an entity in which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

On January 6, 2020 the company's subsidiary, First Mexican Resources Ltd., was dissolved by the British Columbia Registry Service for failure to file annual returns. As a result, the company has lost control of this subsidiary and that company's subsidiary Cornelius, effective January 6, 2020. There were no transactions between January 1, 2020 and January 6, 2020 for either First Mexican Resources Ltd. or Cornelius that required consolidation in the financial statements of the company for the year ended December 31, 2020.

Due to the loss of control, the company derecognized all assets and liabilities of First Mexican Resources Ltd. and Cornelius previously recognized and has recorded a gain on reversal of accounts payable on the Statement of Loss and Comprehensive Loss in the amount of \$220,992 effective January 6, 2020.

All significant inter-company balances and transactions have been eliminated upon consolidation.

c) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through other comprehensive income that have been measured at fair value.

These consolidated financial statements have also been prepared using the accrual basis of accounting, except for cash flow information.

d) Functional Currency

The presentation currency and the functional currency of the Company and each of its subsidiaries is the Canadian dollar.

e) Critical Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The consolidated financial statements include judgments and estimates, which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, 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:

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

e) Critical Accounting Judgments and Estimates (continued)

Critical Judgments

- The assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
- Management's capitalization of exploration and evaluation costs and assumptions regarding the future recoverability of such costs are based on, among other things, the Company's estimate of current mineral reserves and resources which are based on engineering and geological estimates, estimated gold and silver prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.
- The analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates.
- Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped. Management's assessment is that the ability of the taxable entities to generate sufficient taxable income in the foreseeable future is uncertain and according, no deferred income tax assets have been recognized in the consolidated statements of financial position.

Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's best estimates, as additional information becomes available. The most sensitive estimates affecting the financial statements were the identification and capitalization of exploration costs, determination of impairment in the carrying values for long-lived assets, the existence of contingent assets and liabilities, the valuation of share-based compensation and the valuation of deferred income tax assets.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Notes to the Consolidated Financial Statements
Year Ended December 31, 2021 and 2020
(Stated in Canadian Dollars)

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

e) Critical Accounting Judgments and Estimates (continued)

Estimates (continued)

Areas where estimates are significant to the consolidated financial statements were as follows:

- Carrying values of exploration and evaluation assets
- the inputs used in accounting for share purchase option expense in the consolidated statement of loss and comprehensive loss; and
- the determination of income taxes and the valuation of deferred income tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash, Cash Equivalents, and Cash Held in Trust

Cash consists of cash on hand and demand deposits. Cash equivalents include highly-liquid investments with initial maturities of less than three months. The Company had no cash equivalents at December 31, 2021 and 2020. Cash raised by the Company through financing is held in a trust account without any restrictions.

Exploration and Evaluation Assets

General exploration and evaluation (“E&E”) expenditures incurred prior to acquiring the legal right to explore are charged to the statement of comprehensive loss as incurred.

Once legal right to explore has been acquired, the Company capitalizes all costs related to mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. The amounts shown for exploration and evaluation assets represent costs incurred to date and do not necessarily reflect present or future values.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Deferred mineral property expenditures are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are allowed to lapse.

Loss Per Share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the year. Under this method, the weighted average number of common shares used to calculate the dilutive effect on earnings assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Notes to the Consolidated Financial Statements
Year Ended December 31, 2021 and 2020
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share Capital

- i) Share consideration and share based payments - Warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for exploration and evaluation assets, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for mineral properties is based upon the trading price of those shares on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method.

All share-based awards made to employees and non-employees are measured and recognized using the Black-Scholes option pricing model. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Stock options that vest over time are recorded over the vesting period using the graded vesting method. At each financial reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Share based compensation is recognized as expense or, if applicable, capitalized to exploration and evaluation assets with a corresponding increase in reserves. In situations, where equity instruments are issued to non-employees and some or all the goods or services received by the Company, as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. If and when the stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

- ii) Share issuance costs - Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

Foreign Currency Translation

The functional currency of the Company and its subsidiary is the Canadian dollars. Foreign currency balances are translated at the rate of exchange in effect at the statement of financial position date. Foreign currency transactions are translated at the exchange rates approximating those in effect at the time of the transactions. Translation gains and losses are included in the results of operations for the period. All non-monetary items are translated at historical exchange rates.

Restoration Provision

The Company records a liability based on the best estimate of costs for restoration activities that the Company is legally or constructively required to remediate and recognizes the liability when those obligations result from the acquisition, construction, development or normal operations of assets. Restoration provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability. The liability is increased for the passage of time and adjusted for changes to the current market-based risk-free discount rate, and the amount of or timing of the underlying cash flows needed to settle the obligation. The associated restoration costs are capitalized as part of the carrying amount of the related property, plant and equipment and amortized on a systematic basis over the expected useful life of the asset.

QcX GOLD CORP.
(formerly FIRST MEXICAN GOLD CORP.)
Notes to the Consolidated Financial Statements
Year Ended December 31, 2021 and 2020
(Stated in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive (Income) Loss

Comprehensive income (loss) is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The Company had no other comprehensive income or loss transactions during the years ended December 31, 2021 and 2020 and as a result, comprehensive loss was equal to net loss.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Assessing Going Concern

When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon a company's ability to continue as a going concern, those uncertainties should be disclosed. The Company has performed such an assessment and has concluded that it is appropriate to present these financial statements using the going concern assumption.

Impairment of Long-Lived Assets

At each reporting date the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Determining the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, equipment and exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial assets

Financial assets are classified as either financial assets at Fair Value through Profit or Loss ("FVTPL"), amortized cost, or Fair Value through other comprehensive Income ("FVTOCI"). The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in profit or loss.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the object of the Company's business model 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 is designated as fair-value-through-profit-and-loss and measured at fair value.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's accounts payable and accrued liabilities and due to related parties do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Liabilities (continued)

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. 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.

4. AMOUNTS RECEIVABLES

	December 31, 2021		December 31, 2020	
Goods and services tax receivable	\$	14,173	\$	15,292
Quebec service tax receivable		199,115		35,595
Total	\$	213,288	\$	50,887

5. EXPLORATION AND EVALUATION ASSETS

The exploration and evaluation expenditures, as at December 31, 2021, of the Company are detailed as follows:

	Balance as at December 31, 2020	Additions			Balance as at December 31, 2021
		Golden Giant	Fernet	Kali	
Acquisition cost	\$ 1,363,000	\$ -	\$ 90,000	\$ -	\$ 1,453,000
Drilling	-	436,167	-	-	436,167
Accommodation	20,825	-	-	-	20,825
Transport and equipment	8,145	391,166	-	-	399,311
Field costs	105,820	20,136	-	-	125,956
Geology	91,815	178,673	19,124	3,600	293,211
Mobilization	13,000	-	-	-	13,000
Other	173,388	897,686	57,174	1,531	1,129,778
Total	\$ 1,775,993	\$ 1,923,827	\$ 166,297	\$ 5,131	\$ 3,871,248

Golden Giant Property

On April 28, 2020, the Company acquired the Golden Giant property ("Golden Giant" or the "Golden Giant Project") through the acquisition of 2678581 Ontario Inc. ("OntCo"). OntCo became a subsidiary of QcX by acquiring all of the issued and outstanding shares of OntCo, which holds a 100% interest in the Golden Giant Project. The Company paid \$75,000 and issued 3,000,000 common shares in the capital of the Company. The common shares were valued at \$450,000 using the trading price the day before the issuance of shares. The acquisition did not qualify as a business combination and has been accounted for as an asset acquisition. OntCo's only asset on acquisition was the Golden Giant Project.

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Golden Giant Property (continued)

The Golden Giant Project, comprised of the GGEast (3,377 hectares) and GGWest (5,488 hectares) properties, is underlain by felsic and mafic volcanic Archean rocks of the Wabamisk and Komo Formations, which are favourable hosts to gold mineralization in the James Bay region. Both of the properties are cut by regional fault structures, and have parallels to that of numerous other gold showings in the area, including Azimut Exploration Inc.'s Patwon discovery from which recent drill results included up to 3.15 g/t Au over 102.0m. Of particular interest is the magnetic signature underlying the GGEast property, which consists of disrupted high-magnetic felsic volcanics, which may be associated with hydrothermal alteration or the emplacement of low-magnetic felsic intrusions. Within the GGEast property, in a small block of 4 claims not held by the Company, historical prospecting and a single drill hole resulted in the discovery of the Grid A-16 gold showing.

This indicates the gold-bearing potential of this highly underexplored property. The Company reported results from Phase 1 exploration work on the GGEast and GGWest properties on September 14 and September 28, 2020, respectively. Phase 1 results indicated anomalous gold in several locations across both properties, with results up to 1.71 g/t Au and 3.87 g/t Au from grab samples. The Company is committed to pay 3% net smelter returns royalty ("NSR") (subject to the right and option of the Company to purchase 1% of the NSR for a price equal to \$1,000,000).

Fernet Property

The Company entered into an option agreement to acquire 100% interest in the Fernet property ("Fernet" or the "Fernet Project"), located in northwestern Quebec. The Fernet Project covers an area of 4,480 hectares, in the northern Abitibi region of Quebec and is contiguous with Wallbridge Mining Company Limited's Fenelon project.

The Acquisition is being carried out in accordance with the terms of an option agreement (the "Option Agreement") between the Company and the vendor of the Fernet Project (the "Vendor") dated July 5, 2020, pursuant to which the Company will acquire a 100% interest in the Fernet Project, in consideration of: (i) the Company will pay the sum of \$82,000 to the Vendor over a period of three (3) years from the closing date of the Acquisition (\$16,000 paid during the year ended December 31, 2020 and \$16,000 for the year ended December 31, 2021); (ii) issue to the Vendor an aggregate of 500,000 common shares in the capital of the Company, to be issued in several tranches (250,000 common shares during the year ended December 31, 2020 and 250,000 common shares remain to be issued in 2022 to satisfy option agreement); and (iii) grant to the Vendor a 3% net smelter returns royalty ("NSR") (subject to the right and option of the Company to purchase 1% of the NSR for a price equal to \$1,000,000).

The Company entered into an option agreement to acquire a 100% interest in the Fernet east property ("Fernet East"). The Fernet East property covers an area of 2,715 hectares in the northern Abitibi region of Quebec.

The Acquisition is being carried out in accordance with the terms of a mining claim acquisition agreement (the "Purchase Agreement") dated August 10, 2020, between the Company and an arm's length vendor who holds a 100% interest in the mineral claims comprising Fernet East (the "FE Vendor"), pursuant to which the Company will acquire a 100% interest in the Fernet Project, in consideration of: (i) the Company will pay the sum of \$68,000 to the Vendor over a period of three (3) years from the date on which QcX receives approval from the TSXV in respect of the Acquisition (\$10,000 paid during the year ended December 31, 2020 and \$12,000 paid for the year ended December 31, 2021); (ii) issue to the Vendor an aggregate of 300,000 common shares in the capital of the Company, to be issued in several tranches (150,000 common shares issued during the year ended December 31, 2020 and 150,000 paid for the year ended December 31, 2021); and (iii) grant to the Vendor a 1.5% net smelter returns royalty ("FE NSR") (subject to the right and option of the Company to purchase 0.75% of the NSR for a price equal to \$500,000).

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5. EXPLORATION AND EVALUATION ASSETS (continued)

Kali Property

The Company acquired a 100% interest in the Kali project (the "Kali Project") held by Harfang Exploration Inc. ("Harfang"), located in the James Bay lowlands area of Quebec. The Kali Project consists of multiple prospective land parcels covering approximately 10,127 hectares.

The Kali Project is comprised of the Kali West property (7,226 hectares) ("Kali West Property"), the Kali Island Property (53 hectares), and the Kali East property (2,848 hectares) ("Kali East Property") (together referred to as the "Properties"). The Properties are underlain by Archean felsic to mafic volcanic rocks of the Wabamisk and Komo Formations as well as tonalitic gneisses are favourable hosts to gold mineralization in the James Bay region.

The Kali West Property is contiguous with QcX's Golden Giant West Property and Dios Exploration Inc.'s K2 gold project; and shows similar structures and geology to those claims hosting gold showings in the surrounding area, including Azimut's Patwon discovery from which drill results include up to 3.15 g/t Au over 102.0 m. The Kali East Property is located on the southeastern margin of the kilometric-scale Kasapawatish batholith, which may be related to the structural framework at Azimut's Patwon which is found to the northwest of this intrusion. The Kali East Property is contiguous with properties of O3 Mining Inc. and Carat Exploration Inc. which include several historic showings of gold and zinc.

The Acquisition was carried out pursuant to the terms of an arm's-length mining claim acquisition agreement (the "Agreement") dated September 6, 2020, between the Company and Harfang. In accordance with the terms of the Agreement, QcX issued 1,750,000 common shares in the capital of the Company, and granted a 2.5% net smelter returns royalty in respect of the Kali Project.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2021		December 31, 2020	
Trade payables	\$	12,502	\$	83,593
Accrued liabilities		72,500		30,000
Total	\$	85,002	\$	113,593

During the period year ended December 31, 2021, the Company recorded a gain on reversal of accounts payable and accrued liabilities of \$nil (2020 - \$321,727).

7. SHARE CAPITAL AND RESERVES

The authorized share capital consists of unlimited common shares without par value.

Share transactions for the period ended December 31, 2021 were as follows

On September 3, 2021, the Company issued 150,000 common shares for Fernet East.

On September 17, the Company closed a non-brokered private placement offering of an aggregate of 3,733,333 flow-through units (a "FT Unit") of the Company at a price of \$0.15 per FT Unit for gross proceeds of \$560,000 (the "Offering").

Each FT Unit is comprised of one common share in the capital of the Company, issued on a "flow-through" basis (each, a "FT Share"), and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). The FT Shares will qualify as "flow-through shares" within the meaning of subsection 66(15) of the Income Tax Act (Canada). Each Warrant entitles the holder thereof to acquire one additional common share ("Common Share") of the Company, to be issued on a non-flow-through basis, at an exercise price of \$0.20 until September 17, 2023.

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7. SHARE CAPITAL AND RESERVES (continued)

The gross proceeds derived from the sale of the FT Units under Offering will be used for general exploration expenditures on the Company's mineral properties located in Quebec. In connection with the Offering the Company paid certain eligible persons: (i) a cash commission in the aggregate of \$23,400 and (ii) an aggregate of 139,999 broker warrants (each a "Broker Warrant"). Each Broker Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.20 until September 17, 2023.

The Broker Warrants were valued using the Black-Sholes method with fair values of at \$16,839.

A portion of the net proceeds from the unit issuances above of \$96,788 was deferred as a flow-through premium. For the year ended December 31, 2021, the Company recognized \$90,978 of this amount as a gain on sale of flow through rights upon the renunciation of exploration and evaluation expenses.

On October 22, 2021, the Company issued 1,000,000 common shares on the exercise of options for gross proceeds of \$150,000.

During the year ended December 31, 2021, the Company issued an aggregate of 637,661 common shares on the exercise of warrants for gross proceeds of \$53,896.

Share transactions for the period ended December 31, 2020 were as follows:

On June 15, 2020, the Company closed the first tranche of a private placement for aggregate gross proceeds of \$1,235,230 (the "Offering") through the issuance of an aggregate of 6,360,961 units (each, a "Unit") of the Company at a price of \$0.135 per Unit and an aggregate of 2,510,000 flow-through units of the Company (each, a "FT Unit") at a price of \$0.15 per FT Unit.

Each Unit being comprised of one common share (each, a "Common Share") in the capital of the Company and one Common Share purchase warrant (each, a "Unit Warrant"). Each Unit Warrant entitle the holder thereof to acquire one Common Share at a price of \$0.18 for a period of two (2) years.

Each FT Unit being comprised of one Common Share, issued on a flow-through basis (each, a "FT Share") and one-half of one common share purchase warrant, issued on a non-flow-through basis (each, whole warrant a "Warrant"). The FT Shares qualify as "flow-through shares" within the meaning of subsection 66(15) of the *Income Tax Act* (Canada). Each Warrant partially comprising the FT Units entitle the holder thereof to purchase one additional Common Share at a price of \$0.18 for a period of two (2) years.

For the purposes of calculating the tax effect of any premium related to the issuance of the flow-through shares, the Company reviewed the share price of the Company's common shares and compared it to the unit price including flow through shares to determine if there was a premium paid on the shares.

A portion of the net proceeds from the unit issuance above of \$37,650 was deferred as a flow-through premium. For the year ended December 31, 2020, the Company recognized this amount as a gain on sale of flow through rights upon the renunciation of exploration and evaluation expenses

On June 26, 2020, the Company has closed the second and final tranche of a private placement by issuing, in the second tranche, an aggregate of 4,248,722 charity-flow through units (each, a "Charity FT Unit") of the Company at a price of \$0.18 per Charity FT Unit for gross proceeds of \$764,769.96.

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7. SHARE CAPITAL AND RESERVES (continued)

Each Charity FT Unit is comprised of one Common Share, issued on a flow-through basis (each, a "Charity FT Share") and one-half of one Warrant, exercisable at a price of \$0.18 per Common Share for a period of two (2) years from the closing date of the second tranche of the Offering. The Charity FT Shares will qualify as "flow-through shares" within the meaning of subsection 66(15) of the *Income Tax Act (Canada)*.

For the purposes of calculating the tax effect of any premium related to the issuance of the flow-through shares, the Company reviewed the share price of the Company's common shares and compared it to the unit price including flow through shares to determine if there was a premium paid on the shares.

A portion of the net proceeds from the unit issuance above of \$191,192 was deferred as a flow-through premium. For the year ended December 31, 2021, the Company recognized \$183,667 (2020 - \$7,525) of this amount as a gain on sale of flow through rights upon the renunciation of exploration and evaluation expenses.

In connection with the Offering the Company paid certain eligible persons (each, a "Finder"): (i) a cash commission in the aggregate of \$61,303, being equal to 8% of the gross proceeds of the Offering for the subscribers of Units, FT Units and Charity FT Units introduced to the Company by such Finder; (ii) an aggregate of 174,320 finder warrants (each, a "Finder Warrant"); and (iii) an aggregate of 298,046 broker warrants (each, a "Broker Warrant"), being equal to 8% of the aggregate number of Units, FT Units and/or Charity FT Units, as applicable, sold by such Finder under the Offering. Each Broker Warrant is exercisable at a price of \$0.18 per Unit for a period a two (2) years from the date of issuance. Each Unit having the same composition as the Units issued under the Offering. Each Finder Warrant is exercisable at a price of \$0.135 per Common Share for a period of two (2) years from the date of issuance. The Finder Warrants and the Broker Warrants were valued using the Black-Sholes method with fair values of at \$47,514 and \$80,875, respectively.

On May 19, 2020, the Company issued 3,000,000 common shares for the Golden Giant property.

On July 14, 2020, 250,000 common shares were issued to acquire Fernet property and on September 1, 2020, the Company issued 150,000 common shares for Fernet East.

On September 21, 2020, the Company issued 1,750,000 common to acquire the Kali property.

On December 31, 2020, the Company closed a non-brokered private placement offering of an aggregate of 5,067,997 flow-through units (a "FT Unit") of the Company at a price of \$0.15 per FT Unit for gross proceeds of \$760,200 (the "Offering").

Each FT Unit is comprised of one common share in the capital of the Company, issued on a "flow-through" basis (each, a "FT Share"), and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). The FT Shares will qualify as "flow-through shares" within the meaning of subsection 66(15) of the *Income Tax Act (Canada)*. Each Warrant entitles the holder thereof to acquire one additional common share ("Common Share") of the Company, to be issued on a non-flow-through basis, at an exercise price of \$0.18 until December 30, 2022.

The gross proceeds derived from the sale of the FT Units under Offering will be used for general exploration expenditures on the Company's mineral properties located in Quebec. In connection with the Offering the Company paid certain eligible persons: (i) a cash commission in the aggregate of \$21,306; (ii) an aggregate of 274,037 broker warrants (each a "Broker Warrant"); and (iii) an aggregate of 130,000 units (a "Broker Unit") in lieu of cash commission. Each Broker Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.18 until December 30, 2022. Each Broker Unit is comprised of one Common Share and one-half Warrant, each Warrant comprising the Broker Units having the same terms as the Warrants comprising the FT Units.

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7. SHARE CAPITAL AND RESERVES (continued)

The Broker Warrants were valued using the Black-Sholes method with fair values of at \$41,546 and the Broker Units were valued at \$19,500 using the same price as the financing.

During the year ended December 31, 2020, the Company issued 8,350,000 common shares in connection with warrant exercises for gross proceeds of \$626,250.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	20,156,000	\$ 0.075
Warrants Issued	12,339,320	0.180
Finders Warrants Issued	174,320	0.135
Broker Warrants Issued	298,046	0.180
Broker Warrants Issued	274,037	0.180
Warrants exercised	(8,350,000)	0.075
Balance, December 31, 2020	24,891,723	\$ 0.130
Warrants Issued	1,866,666	0.200
Broker Warrants Issued	139,999	0.200
Finders Warrants exercised	(3,240)	0.180
Broker Warrants exercised	(10,421)	0.180
Warrants exercised	(50,000)	0.180
Broker Warrants exercised	(12,000)	0.075
Warrants exercised	(562,000)	0.075
Expired warrants	(11,232,000)	0.075
Balance, December 31, 2021	15,028,727	\$ 0.182

There were 1,866,666 warrants issued during the year ended December 31, 2021 (December 31, 2020 – 12,339,320) as part of the issuance of units. The fair value of the warrants issued was based on the residual method having a residual value of \$nil (December 31, 2020 - \$nil).

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7. SHARE CAPITAL AND RESERVES (continued)

Warrants (continued)

The Finders Warrants and Broker Warrants were valued using the Black-Scholes option pricing model using the following assumptions:

	Broker Warrants	Broker Warrants	Finders Warrants	Broker Warrants
Number of warrants	139,999	274,037	174,320	298,046
Exercise price	\$ 0.20	\$ 0.180	\$ 0.135	\$ 0.180
Expected life in years	2	2	2	2
Volatility	265.12%	277.70%	292.21%	292.21%
Risk-free interest rate	0.44%	0.20%	0.29%	0.29%
Dividend yield	-	-	-	-
Grant date share price	\$ 0.13	\$ 0.16	\$ 0.28	\$ 0.28
Fair value of warrants issued	\$ 16,839	\$ 41,546	\$ 47,514	\$ 80,875

As at December 31, 2021, the weighted average remaining life of warrants outstanding was 0.73 years.

As at December 31, 2021, the following share purchase warrants issued in connection with private placements were outstanding:

Number of Warrants	Exercise Price	Expiry Date
6,310,961	\$0.180	June 15, 2022
1,255,000	\$0.180	June 15, 2022
2,124,361	\$0.180	June 26, 2022
171,080	\$0.180	June 26, 2022
298,046	\$0.135	June 26, 2022
2,533,998	\$0.180	December 30, 2022
65,000	\$0.180	December 30, 2022
263,616	\$0.180	December 30, 2022
1,866,666	\$0.200	September 17, 2023
139,999	\$0.200	September 17, 2023
15,028,727		

Stock Options

For stock options granted to employees, officers, directors, consultants and charitable organizations, the Company recognizes as an expense the estimated fair value of the stock options granted. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatility was based on the historical volatility of the Company's share price.

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7. SHARE CAPITAL AND RESERVES (continued)

Stock Options (continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2019	645,000	\$ 0.53
Granted	2,500,000	0.24
Granted	600,000	0.15
Expired	(645,000)	(0.53)
Outstanding, December 31, 2020	3,100,000	\$ 0.22
Granted	1,300,000	0.15
Exercised	(1,000,000)	0.15
Outstanding, December 31, 2021	3,400,000	\$ 0.22

The following table summarizes the assumptions used in the Black-Scholes valuation model for stock options issued and outstanding as at December 31, 2021.

Grant date	September 17, 2021	December 8, 2020	June 22, 2020
Number of options	1,300,000	600,000	2,500,000
Exercise price	\$ 0.15	\$ 0.15	\$ 0.24
Expected life in years	5	5	5
Volatility	225.13%	212.76%	212.00%
Risk-free interest rate	0.86%	0.47%	0.39%
Dividend yield	-	-	-
Grant date share price	\$ 0.13	\$ 0.13	\$ 0.24
Fair value of options granted	\$ 166,897	\$ 76,561	\$ 589,436

The following summarizes information about stock options outstanding and exercisable at December 31, 2021:

Number of Shares	Expiry Date	Exercise Price
2,500,000	June 22, 2025	\$0.24
600,000	December 8, 2025	\$0.15
300,000	September 17, 2026	\$0.15
3,400,000		

All the above options vested at the date of grant. As at December 31, 2021, the options had a weighted average remaining life of 3.67 years.

Nature and Purpose of Reserves

The "Equity Settled Employee Benefits Reserve" is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation. The Warrants Reserve issued to recognize the fair value of warrants issued in consideration for completed equity financing.

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8. DUE TO RELATED PARTIES AND RELATED PARTY TRANSACTIONS

All related party transactions were measured at the amount of consideration established and agreed to by the related parties. All amounts due from/due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel included:

	Years ended December 31,	
	2021	2020
Management and consulting fees	\$ 60,000	\$ 75,000
Stock-based compensation	-	146,323
Total compensation of key management	\$ 60,000	\$ 221,323

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the year ended December 31, 2021 and 2020.

Other Transactions

At year end, the Company had the following outstanding balance payable to related parties:

	December 31, 2021	December 31, 2020
Due to a related party	\$ 103,366	\$ 78,366
	\$ 103,366	\$ 78,366

All related party payable balances are unsecure, non-interest bearing, and have no fixed term of repayment.

9. INCOME TAXES

The income taxes shown in the statements of loss and comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	2021	2020
Statutory tax rate	26.5%	26.5%
Expected income tax recovery	\$ (41,000)	\$ (208,000)
Permanent differences and other	(28,000)	117,000
Temporary differences	390,000	(2,085,000)
Change in valuation allowance	(321,000)	2,176,000
Income tax expense (recovery)	\$ -	\$ -

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9. INCOME TAXES (continued)

The significant components of the Company's deferred income tax assets are as follows:

	<u>2021</u>	<u>2020</u>
Non-capital losses carried forward	\$ 1,016,000	\$ 1,023,000
Capital losses carried forward	30,000	30,000
Capital assets and Share issue costs	29,000	27,000
Resource properties	(424,000)	(108,000)
Valuation allowance	(651,000)	(972,000)
	<u>\$ -</u>	<u>\$ -</u>

The Company has approximately \$3,835,000 in Canadian non-capital losses that can be carried forward to reduce future income for tax purposes that expire as follows:

<u>Expiry Date</u>	<u>Amount</u>
2031	253,000
2032	457,000
2033	350,000
2034	283,000
2035	305,000
2036	377,000
2037	407,000
2038	460,000
2039	286,000
2040	359,000
2041	298,000
	<u>\$ 3,835,000</u>

The Company also has Canadian resource related expenditures totaling approximately \$2,271,000 (2020 - \$1,369,000) which can be used to offset future income taxes.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2021 was based on the loss attributable to common shareholders of \$157,275 (2020 - \$783,400) and a weighted average number of common shares outstanding of 61,883,643 (2020 - 37,935,694).

Diluted loss per share did not include the effect of 3,400,000 stock options and 15,028,727 warrants because they are anti-dilutive.

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue its operations, so that it can bring its exploration projects to commercial production and provide returns for shareholders and benefits for other stakeholders.

The Company relies mainly on equity issuances to raise new capital. In the management of capital, the Company includes the components of shareholders' equity as well as cash. The capital structure of the Company currently consists of common shares.

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11. MANAGEMENT OF CAPITAL (continued)

The Company's investment policy is to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated without interest or penalty. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations.

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

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as fair-value-through-profit-and-loss and measured at fair value. Accounts payable and accrued liabilities and due to related parties are designated as other financial liabilities and measured at amortized cost.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgement is required to develop certain of these estimates. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

Cash is recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximate fair value due to their short-term nature.

The following table sets for the Company's financial assets measured at fair value by level within the fair value hierarchy as at December 31, 2021:

	LEVEL	FAIR VALUE THROUGH PROFIT/ LOSS	OTHER FINANCIAL LIABILITIES	TOTAL CARRYING VALUE
Financial assets				
Cash	1	\$ 111,036	\$ -	\$ 111,036
Financial liabilities				
Accounts payable and accrued liabilities	2	\$ -	(85,002)	(85,002)
Due to related parties	2		(103,366)	(103,366)
		\$ -	\$ (188,368)	\$ (188,368)

The following table sets for the Company's financial assets measured at fair value by level within the fair value hierarchy as at December 31, 2020:

	LEVEL	FAIR VALUE THROUGH PROFIT/ LOSS	OTHER FINANCIAL LIABILITIES	TOTAL CARRYING VALUE
Financial assets				
Cash	1	\$ 1,899,712	\$ -	\$ 1,899,712
Financial liabilities				
Accounts payable and accrued liabilities	2	\$ -	(113,593)	(113,593)
Due to related parties	2		(78,366)	(78,366)
		\$ -	\$ (191,959)	\$ (191,959)

There have been no transfers between levels 1 and 2, or transfers in or out of level 3 for the year ended December 31, 2021 and 2020.

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12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The mining industry in general is intensely competitive and there is no assurance that a profitable market may exist for any substances discovered. Commodity prices have fluctuated significantly, particularly recently, the effect of which cannot be accurately be predicted.

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and causes the other party to incur a financial loss. The Company's credit risk consists primarily of cash. The credit risk is minimized by placing cash and investing short term investments with major Canadian financial institutions. Management believes that the credit risk concentration with respect to its bank deposits is remote since all cash is held with financial institutions of reputable credit. The Company does not invest in asset-backed commercial papers.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has sufficient cash to meet its obligations and liquidity risk is therefore considered minimal. The Company manages liquidity risk through the management of its capital resources as outlined in note 11.

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash is limited because they are generally held to maturity. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. Interest rate risk is not significant to the Company as it has no cash equivalents at period end.

d) Environmental Risk

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation.

The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.