FPX NICKEL CORP.

Condensed Consolidated Interim Financial Statements

September 30, 2021 & 2020

(Unaudited)

(Stated in Canadian Dollars)

FPX NICKEL CORP.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)

(Stated in Canadian Dollars)

	Sep. 30 2021	Dec. 31 2020
	$	$
ASSETS		
Current		
Cash and cash equivalents (note 3)	**15,453,516**	5,835,074
Amounts receivable (note 4)	**241,515**	57,930
Prepaid expenses (note 5)	**754,671**	24,390
Total Current Assets	**16,449,702**	5,917,394
Reclamation deposits (note 6)	**133,597**	133,288
Right of use asset – office lease (note 9)	**256,885**	50,663
Exploration and evaluation assets (note 7)	**13,937,680**	10,222,912
Total Assets	**30,777,864**	16,324,257
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 8)	**157,564**	117,363
Lease liability – current portion (note 9)	**82,087**	33,992
Interest payable (note 10)	**-**	63,660
Total Current Liabilities	**239,651**	215,015
Lease liability – non-current portion (note 9)	**175,568**	21,549
Loan payable (note 10)	**-**	3,371,582
CEBA loan payable (note 14)	**-**	40,000
Total Liabilities	**415,219**	3,648,146
EQUITY		
Share capital (note 11)	**62,456,465**	44,188,865
Other equity reserve (note 11)	**9,503,382**	6,884,555
Deficit	**(41,597,202)**	(38,397,309)
Total Shareholders' Equity	**30,362,645**	12,676,111
Total Liabilities and Shareholders' Equity	**30,777,864**	16,324,257

Nature and continuance of operations (note 1)
Commitments (note 14)

Approved and authorized by the Board of Directors:

/s/ Peter M. D. Bradshaw — Peter M.D. Bradshaw, Director

/s/ James S. Gilbert — James S. Gilbert, Director

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited)

(Stated in Canadian dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
EXPENSES				
Accounting, legal and audit	**14,818**	922	**35,607**	3,217
Depreciation (note 9)	**12,672**	7,999	**28,671**	23,998
Foreign exchange loss (gain)	**(65)**	(75,923)	**(7,029)**	116,242
General exploration	**17,331**	16	**22,234**	1,315
Insurance	**4,740**	3,444	**12,627**	10,024
Interest expense (notes 9 and 10)	**2,124**	139,463	**30,666**	418,861
Management fees and salaries (note 13)	**128,695**	64,918	**393,009**	212,624
Office and administration	**20,540**	3,298	**35,060**	13,585
Share-based compensation (notes 11 and 13)	**94,507**	95,149	**2,276,855**	531,086
Travel, promotion & communications	**184,254**	86,918	**397,774**	198,113
Trust and filing fees	**34,138**	4,547	**77,243**	24,759
Loss before other items	**(513,754)**	(330,751)	**(3,302,717)**	(1,553,824)
OTHER ITEMS				
Loss on sale of marketable securities	**-**	-	**-**	(37,131)
Gain on settlement of CEBA loan (note 14)	**-**	-	**20,000**	-
Gain on lease modification	**4,118**	-	**4,118**	-
Interest income	**32,836**	3,129	**78,706**	15,773
	36,954	3,129	**102,824**	(21,358)
Net loss for the period	**(476,800)**	(327,622)	**(3,199,893)**	(1,575,182)
Other comprehensive loss				
Items that may be reclassified to income:				
Unrealized gain (loss) on marketable securities	**-**	-	**-**	(6,521)
Comprehensive loss for the period	**(476,800)**	(327,622)	**(3,199,893)**	(1,581,703)
Basic and diluted loss per share (note 12)	**(0.002)**	(0.002)	**(0.016)**	(0.010)
Weighted average number of common shares outstanding	**213,557,863**	163,767,439	**203,202,081**	161,247,162

See notes to the condensed consolidated interim financial statements

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Stated in Canadian dollars)

	Share Capital		Other		Accumulated Other	
	Number of Shares	Amount	Equity Reserve	Deficit	Comprehensive Loss	Total
	#	$	$	$	$	$
Balance, December 31, 2019	**154,728,672**	**33,476,916**	**6,446,378**	**(36,586,200)**	**(29,044)**	**3,308,050**
Private placement	8,333,332	1,500,000	-	-	-	1,500,000
Share issue costs	-	(31,906)	-	-	-	(31,906)
Options exercised	1,200,000	237,910	(92,910)	-	-	145,000
Share-based compensation	-	-	531,086	-	-	531,086
Adjustment on sale of marketable securities	-	-	-	-	35,565	35,565
Net loss for the period	-	-	-	(1,575,182)	-	(1,575,182)
Other comprehensive loss	-	-	-	-	(6,521)	(6,521)
Balance, September 30, 2020	**164,262,004**	**35,182,920**	**6,884,555**	**(38,161,382)**	**-**	**3,906,092**
Private placement	8,963,636	4,930,000	-	-	-	4,930,000
Share issue costs	-	(186,576)	-	-	-	(186,576)
Options exercised	-	-	-	-	-	-
Shares issued in debt settlement	7,750,037	4,262,521	-	-	-	4,262,521
Net loss for the period	-	-	-	(235,927)	-	(235,927)
Balance, December 31, 2020	**180,975,677**	**44,188,865**	**6,884,555**	**(38,397,309)**	**-**	**12,676,111**
Public offering	24,769,800	16,100,370	-	-	-	16,100,370
Shares issued in debt settlement	5,312,386	3,453,051	-	-	-	3,453,051
Share issue costs	-	(1,848,521)	567,172	-	-	(1,281,349)
Options exercised	2,500,000	562,700	(225,200)	-	-	337,500
Share-based compensation	-	-	2,276,855	-	-	2,276,855
Net loss for the period	-	-	-	(3,199,893)	-	(3,199,893)
Balance, September 30, 2021	**213,557,863**	**62,456,465**	**9,503,382**	**(41,597,202)**	**-**	**30,362,645**

See notes to the condensed consolidated interim financial statement

FPX NICKEL CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Stated in Canadian dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	**2021**	2020
	$	$	**$**	$
Cash provided by (used for):				
Operating activities				
Net loss for the period	**(476,800)**	(327,622)	**(3,199,893)**	(1,575,182)
Add items not involving cash:				
Depreciation	**12,672**	7,999	**28,671**	23,998
Share-based compensation	**94,507**	95,149	**2,276,855**	531,086
Accrued interest included in loan payable	**-**	65,198	**26,713**	268,429
Loss on sale of marketable securities	**-**	-	**-**	37,131
Loss on settlement of loan payable	**-**	-	**2,759**	-
Foreign exchange loss (gain) on loan payable	**-**	(82,047)	**(11,663)**	147,062
Gain on lease modification	**(4,118)**	-	**(4,118)**	-
Gain on settlement of CEBA loan	**-**	-	**(20,000)**	-
	(373,739)	(241,323)	**(900,676)**	(567,476)
Changes in non-cash working capital components:				
Amounts receivable	**(128,961)**	(15,542)	**(186,454)**	(26,425)
Prepaid expenses	**21,809**	34,510	**(45,598)**	22,967
Accounts payable and accrued liabilities	**(5,114)**	7,723	**625**	25,289
Current portion of lease liability	**-**	(1,389)	**-**	(4,673)
Interest payable	**-**	(1,447)	**-**	1,750
	(486,005)	(217,468)	**(1,132,103)**	(548,568)
Financing activities *				
Cash proceeds from shares issued	**-**	120,000	**16,437,870**	1,645,000
Share issue costs	**-**	-	**(1,281,349)**	(31,906)
Repayment of lease liability	**(12,285)**	(7,577)	**(28,661)**	(21,384)
Proceeds from CEBA loan	**-**	-	**20,000**	-
Repayment of CEBA loan	**-**	-	**(40,000)**	-
Loan payments	**-**	-	**-**	(724,743)
Proceeds from sale of marketable securities	**-**	-	**-**	19,693
	(12,285)	112,423	**15,107,860**	886,660
Investing activities *				
Reclamation deposit	**(207)**	(444)	**(309)**	(547)
Exploration and evaluation expenditures	**(2,593,861)**	(274,340)	**(3,672,323)**	(672,960)
Advance payment to mining consultants	**(436,945)**	-	**(684,683)**	-
	(3,031,013)	(274,784)	**(4,357,315)**	(673,507)
Net cash provided (used) during period	**(3,529,303)**	(379,829)	**9,618,442**	(335,415)
Cash – beginning of period	**18,982,819**	1,772,859	**5,835,074**	1,728,445
Cash - end of period	**15,453,516**	1,393,030	**15,453,516**	1,393,030

* ***Supplemental disclosure of non-cash financing and investing activities***

Interest received	**32,998**	3,479	**78,823**	15,954
Accounts payable related to mineral properties	**71,031**	22,304	**71,031**	22,304
BC mineral exploration tax credits receivable included in exploration and evaluation assests	**37,386**	-	**37,386**	-

Also see Notes 9 and 10. See notes to the condensed consolidated interim financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

FPX Nickel Corp. (the "Company") is incorporated under the *Business Corporations Act* (Alberta) and is involved in the acquisition and exploration of mineral property interests that are considered potential sites of economic mineralization. On May 25, 2017, the Company's shareholders approved a special resolution to change the Company's name from First Point Minerals Corp. to FPX Nickel Corp. The name change became effective on May 30, 2017. At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of these properties.

On September 4, 2019, the Company closed amended and new loan agreements to extend the maturity of its long-term debt from September 4, 2020 to September 4, 2022 and September 4, 2025. On closing of the new and amended loan agreements, the Company's long-term debt was as follows:

- Loan from Peter Bradshaw, the Company's Chairman and largest shareholder, with principal of C$4 million and accrued interest due on September 4, 2025 (the "**Bradshaw Loan**"); and

- Loan from a private shareholder with principal of US$2.5 million and accrued interest due on September 4, 2022 (the "**Private Shareholder Loan**").

On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of $0.55 per share in settlement of the $4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan.

On February 11, 2021, the Company issued 5,312,386 common shares of the Company at a price of $0.65 per share in settlement of the $3,453,051 principal and interest owing on the Private Shareholder Loan, thereby settling the Private Shareholder Loan.

The Company has not generated revenue from operations. The Company incurred a net loss of $3,199,893 (2020 – $1,575,182) during the nine months ended September 30, 2021 and as of that date the Company's deficit was $41,597,202 (December 31, 2020 - $38,397,309). As the Company is in the exploration stage, the recoverability of the costs incurred to date on its exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties.

While the Company's working capital position at September 30, 2021 was $16,210,051 (December 31, 2020 - $5,702,379), the Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

These consolidated financial statements include the financial statements of the Company and its subsidiary. They are presented in Canadian dollars, which is the functional currency of the Company and its wholly-owned subsidiary, First Point Mexico S.A. de C.V., incorporated in Mexico.

The head office and principal address of the Company is Suite 320 – 1155 West Pender Street, Vancouver, British Columbia V6E 2P4. The Company's registered and records office is 4500 Bankers Hall East, 855 Second Street SW, Calgary, Alberta T2P 4K7.

(Stated in Canadian Dollars)

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial statements for the nine months ended September 30, 2021, including comparatives for the prior period, were prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") on a basis consistent with those followed in the most recent annual consolidated financial statements. The Company operates in one reportable operating segment being the exploration of mineral properties.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and were approved and authorized for issue by the Board of Directors on November 24, 2021.

(b) Basis of measurement

These consolidated financial statements have been prepared on a historical costs basis except for financial instruments, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Although management uses historical experience and its best knowledge of the amounts, events or actions to form the basis for judgments and estimates, actual results could differ from these estimates.

3. CASH AND CASH EQUIVALENTS

	September 30, 2021	December 31, 2020
Cash on deposit	$ 333,884	$ 93,955
Liquid short term investments	15,119,632	5,741,119
Cash and cash equivalents	$ 15,453,516	$ 5,835,074

4. AMOUNTS RECEIVABLE

The Company's receivables arise mainly from amounts due from Canadian government taxation authorities in relation to GST receivable and mineral exploration cost recoveries.

5. PREPAID EXPENSES

The Company's prepaid expenses consist of the following:

	September 30, 2021	December 31, 2020
Insurance	$ 9,521	$ 3,448
Vendor prepayments	745,150	20,942
Total	$ 754,671	$ 24,390

(Stated in Canadian Dollars)

6. RECLAMATION DEPOSITS

The Company has provided deposits as security against potential future reclamation work relating to three of its mineral properties. As at September 30, 2021, a total of $133,597 (December 31, 2020 - $133,288) has been provided in the form of cash and Guaranteed Investment Certificates posted with the Minister of Finance for the Province of British Columbia for the benefit of the provincial Ministry of Energy and Mines.

7. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2021, the Company holds a 100% interest in five nickel properties, four of which are located in British Columbia (Decar, Wale, Orca and Klow), and one located in the Yukon Territory (Mich). With the exception of the Decar district, the Company's nickel properties are all in the early stage of exploration.

Canada

Nickel Properties, British Columbia and Yukon Territory

Under the terms of an option agreement entered into in November 2009, Cliffs Natural Resources Exploration Inc. ("Cliffs") held the right to earn an initial 51% interest in the Decar district by spending US$4,500,000 on the property over four years. Pursuant to an amended agreement dated September 12, 2011, by agreeing to complete the scoping study within 18 months, Cliffs was deemed to have earned an initial 51% interest in the Decar district and the Company was deemed to have earned a 1% NSR royalty in the Decar district. On delivery of the Preliminary Economic Assessment in April 2013, Cliffs earned an additional 9% interest in Decar, bringing its aggregate interest to 60%. In August 2015, the structure of ownership of the Decar district converted to a contractual joint venture, with initial ownership interests fixed at 60% for Cliffs and 40% for FPX Nickel.

On November 18, 2015, the Company purchased Cliffs' 60% ownership of the Decar district for an acquisition price of US $4.75 million (CDN $6.27 million). The Company owns 100% of the Decar district.

During the year ended December 31, 2014, deferred acquisition and exploration costs incurred on three of the Company's British Columbia nickel properties (Wale, Orca and Klow) totaling $2,441,636 were written off as the Company has no plans at this time to perform significant work on those properties. The Company retains the underlying mineral claims for these properties in good standing. As of September 30, 2021, these properties are carried at a nominal value of $1 per property.

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance December 31, 2019 $	Acquisition Costs $	Exploration Costs $	Recoveries $	Costs Written Off $	Balance December 31, 2020 $
CANADA						
Decar	8,630,089	-	762,955	(34,657)	-	9,358,387
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	864,522	-	-	-	-	864,522
Total Costs – Exploration & Evaluation Assets	**9,494,614**	**-**	**762,955**	**(34,657)**	**-**	**10,222,912**

(Stated in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS *(continued)*

Consolidated Schedule of Costs – Exploration and Evaluation Assets

	Balance December 31, 2020 $	Acquisition Costs $	Exploration Costs $	Recoveries $	Costs Written Off $	Balance September 30, 2021 $
CANADA						
Decar	9,358,387	-	3,704,688	-	-	13,063,075
Wale	1	-	-	-	-	1
Orca	1	-	-	-	-	1
Klow	1	-	-	-	-	1
Mich	864,522	10,080	-	-	-	874,602
Total Costs – Exploration & Evaluation Assets	**10,222,912**	**10,080**	**3,704,688**	**-**	**-**	**13,937,680**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities for the Company are broken down as follows:

	September 30, 2021	December 31, 2020
Trade payables	$ 157,564	$ 97,363
Accrued liabilities	-	20,000
Total	$ 157,564	$ 117,363

9. RIGHT-OF-USE ASSET/LEASE LIABILITY

(a) Right-of-use asset

As at September 30, 2021 and December 31, 2020, the right-of-use asset recorded for the Company's office premises was as follows:

	September 30, 2021	December 31, 2020
Balance – beginning of period	$ 50,663	$ 82,660
Lease modification	234,893	-
Depreciation	(28,621)	(31,997)
Balance – end of period	$ 256,885	$ 50,663

(Stated in Canadian Dollars)

9. RIGHT-OF-USE ASSET/LEASE LIABILITY *(continued)*

(b) Lease liability

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

		September 30, 2021		December 31, 2020
Undiscounted minimum lease payments				
Less than one year	$	98,628	$	37,018
Two to three years		189,036		22,092
		287,664		59,110
Effect of discounting		(30,009)		(3,569)
Present value of minimum lease payments		257,655		55,541
Less current portion		(82,087)		(33,992)
Long-term portion	$	175,568	$	21,549

(c) Lease liability continuity

The net change in the lease liability is as follows:

		September 30, 2021		December 31, 2020
Balance – beginning of period	$	55,541	$	84,886
Cash flows:				
Principal payments		(28,661)		(29,345)
Non- cash changes:				
Lease modification		230,775		-
Balance – end of period	$	257,655	$	55,541

During the nine months ended September 30, 2021, interest of $3,952 (2020 – $4,256) is included in interest expense.

On June 29, 2021, the Company entered into a lease relocation and extension agreement (the "Lease") for its premises, whereby the Company relocated to a larger suite within the same building. Pursuant to the Lease, the existing lease was terminated and the term of the Lease with respect to the relocated suite was extended for a further three-year period commencing September 1, 2021 and ending on August 31, 2024 with an annual base rent of $56,654 payable monthly. The Lease includes an option to renew for a further three-year term with the base rent being negotiated to reflect current market rates and not being less that the current base rent. The measurement of the lease liability does not include the three-year extension option because management is not reasonably certain that the option will be exercised. As a result of the lease relocation and extension, the lease liability increased by $230,775 and the right-of-use asset increased by $234,893 resulting in a gain on lease modification of $4,118.

(Stated in Canadian Dollars)

10. LOAN PAYABLE

Loan payable for the Company is comprised of the following:

	September 30, 2021	December 31, 2020
Private Shareholder Loan:		
Principal	$ -	$ 3,183,000
Accrued interest	-	252,242
	-	3,435,242
Reclassified to interest payable	-	(63,660)
Total	$ -	$ 3,371,582

On September 4, 2015, the Company entered into an arm's-length loan agreement with an individual shareholder of the Company (the "Private Shareholder"), through which the Private Shareholder lent US $5.0 million (C$6.68 million) to the Company for a five-year period at a 6.5% headline interest rate (the "Private Shareholder Loan"). Of this, 1.5% was paid currently, on a semi-annual basis, and the remaining 5% was accrued and was payable at the end of the loan term. In addition, the Private Shareholder received a drawdown fee equal to 4% of the loan amount and a 1% NSR royalty over the Decar mineral claims. On September 4, 2019, the Company closed an amended and restated loan agreement with the Private Shareholder to extend the loan's maturity date from September 4, 2020 to September 4, 2022.

On February 11, 2021, the Company issued 5,312,386 common shares of the Company at a price of $0.65 per share in settlement of the $3,453,051 principal and interest owing on the Private Shareholder Loan, thereby settling the Private Shareholder Loan.

The net change in the loans payable is as follows:

	September 30, 2021	December 31, 2020
Balance – beginning of period	$ 3,435,242	$ 8,071,944
Cash repayment – accrued interest	-	(870,919)
Conversion of debt for shares – principal	(3,174,787)	(4,000,000)
Conversion of debt for shares – accrued interest	(278,264)	(262,521)
Accrued interest	26,713	497,132
Foreign exchange movement	(11,663)	(394)
Loss on settlement	2,759	-
Reclassified to interest payable	-	(63,660)
Balance – end of period	$ -	$ 3,371,582

11. SHARE CAPITAL

(a) Authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of first and second preferred shares. None of the preferred shares have been issued.

(b) Issued and outstanding

On April 7, 2021, the Company closed a bought deal public offering of 24,769,800 common shares of the Company at a price of $0.65 per share, for gross proceeds of $16,100,370. The Company paid a cash commission of $966,022 (equal to 6% of the gross proceeds) to the Underwriters and issued a total of 1,486,188 compensation warrants entitling the Underwriters to acquire common shares of the Company for a period up to April 7, 2023 at a price of $0.65 per share.

The fair value of the compensation warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of nil, risk-free interest rate of 0.23%, expected stock price volatility of 121%, expected life of two years and fair value per compensation warrant of $0.41.

The fair value of the compensation warrants was estimated as $567,172; this amount was recorded as share issuance costs with a corresponding credit to other equity reserve. The Company also paid legal and other fees of $253,055 in connection with the offering.

On February 11, 2021, the Company issued 5,312,386 common shares of the Company at a price of $0.65 per share in settlement of the $3,453,051 principal and interest owing on the Private Shareholder Loan, thereby settling the Private Shareholder Loan and extinguishing the fixed and specific charge against the Company's Decar mineral claims.

During the nine months ended September 30, 2021, the Company issued 2,500,000 shares as the result of a like number of options being exercised. The amount recorded as share capital was $562,700 which amount consisted of cash of $337,500 and an additional sum of $225,200, the latter being the fair value originally attributable to the options upon vesting, which amount was removed from other equity reserve.

On March 11, 2020, the Company closed a private placement of 8,333,332 shares at a price of $0.18 per share, for gross proceeds of $1,500,000. Finders' fees of $22,140 were paid on a portion of the proceeds.

On October 20, 2020, the Company closed a private placement of 8,963,636 shares at a price of $0.55 per share, for gross proceeds of $4,930,000. Finders' fees of $135,210 were paid on a portion of the proceeds.

On October 20, 2020, the Company issued 7,750,037 common shares of the Company at a price of $0.55 per share in settlement of the $4,262,521 principal and interest owing on the Bradshaw Loan, thereby settling the Bradshaw Loan.

During the year ended December 31, 2020, the Company issued 1,200,000 shares as the result of a like number of options being exercised. The amount recorded as share capital was $237,910 which amount consisted of cash of $145,000 and an additional sum of $92,910, the latter being the fair value originally attributable to the options upon vesting, which amount was removed from other equity reserve.

(c) Stock options

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, officers, employees and consultants of the Company at exercise prices determined by their market value on the date of the grant. The options vest immediately on the date of the grant or as otherwise determined at the discretion of the Board.

(Stated in Canadian Dollars)

11. SHARE CAPITAL *(continued)*

(c) Stock options *(continued)*

On February 10, 2021, the Company granted an employee 250,000 options to purchase shares at an exercise price of $0.80 per share, all of which vested immediately. The options will expire on February 10, 2026.

On April 9, 2021, the Company granted directors, officers, advisors and employees a total of 3,100,000 stock options to purchase shares at an exercise price of $0.70 per share, all of which vested immediately. The options will expire on April 9, 2026.

On June 21, 2021, the Company granted an employee 600,000 options to purchase shares at an exercise price of $0.60 per share, all of which vested immediately. The options will expire on June 21, 2026.

On July 19, 2021, the Company granted an employee 250,000 options to purchase shares at an exercise price of $0.50 per share, all of which vested immediately. The options will expire on July 19, 2026.

Stock option transactions during the periods ended September 30, 2021 and December 31, 2020, and the number of stock options outstanding and exercisable at September 30, 2021 are summarized as follows:

	Number of Options	Weighted-Average Exercise Price ($)	Weighted-Average Contractual Remaining Life (Years)
Balance, December 31, 2019	**12,700,000**	**0.15**	**2.81**
Granted	3,350,000	0.22	
Exercised	(1,200,000)	0.12	
Balance, December 31, 2020	**14,850,000**	**0.17**	**2.43**
Granted	4,200,000	0.68	
Exercised	(2,500,000)	0.14	
Balance, September 30, 2021	**16,550,000**	**0.30**	**2.66**
Exercisable at September 30, 2021	**16,550,000**		

Summary of stock options outstanding at September 30, 2021:

Number Outstanding	Exercise Price ($)	Expiry Date
2,300,000	0.15	March 30, 2022
250,000	0.15	September 6, 2022
250,000	0.10	November 21, 2022
3,550,000	0.15	March 23, 2023
2,900,000	0.20	March 28, 2024
3,100,000	0.20	March 11, 2025
250,000	0.80	February 10, 2026
3,100,000	0.70	April 9, 2026
600,000	0.60	June 21, 2026
250,000	0.50	July 19, 2026
16,550,000		

(Stated in Canadian Dollars)

11. SHARE CAPITAL *(continued)*

(d) Share-based compensation

The weighted average fair value of stock options granted during the periods ended September 30, 2021 and December 31, 2020 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2021	2020
Expected dividend yield	0%	0%
Risk-free interest rate	0.92%	0.54%
Expected stock price volatility	121%	133%
Expected life of options	5 years	5 years
Weighted average fair value per stock option	$0.54	$0.16

Share-based compensation expense of $2,276,855 was recorded during the nine months ended September 30, 2021 (2020 - $531,086). The offsetting credit was to other equity reserve.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

(e) Other equity reserve

The following is a summary of the components of other equity reserve at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Share options	$ 8,578,563	$ 6,526,908
Finders' warrants	924,819	357,647
Total other equity reserve	$ 9,503,382	$ 6,884,555

12. LOSS PER SHARE

Loss per share has been calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share has not been calculated as it is anti-dilutive.

13. RELATED PARTY TRANSACTIONS

At September 30, 2021, liabilities included $55,556 (December 31, 2020 – $51,591) due to related parties. Amounts due to related parties are unsecured and non-interest bearing.

During the nine months ended September 30, 2021, the Company entered into the following related party transactions:

- paid or accrued $206,250 (2020 - $125,000) in fees to Martin Turenne Consulting Ltd., a private company controlled by Martin Turenne, the Company's President and Chief Executive Officer, for management and administrative services.

(Stated in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS *(continued)*

- paid or accrued $97,519 (2020 - $45,145) in fees to Adera Company Management Inc., a private company controlled by J. Christopher Mitchell, the Company's Chief Financial Officer and Corporate Secretary, for management and administrative services.
- paid or accrued $85,192 (2020 – nil) in salary to Andrew Osterloh, the Company's Vice-President, Projects.
- paid or accrued $32,025 (2020 - $34,313) in fees to P.J. Marshall Consulting Inc., a private company controlled by Peter Marshall, a Director of the Company, for advisory services.
- Paid or accrued nil (2020 - $19,200) in fees to Stuart Harshaw Consulting, a private company controlled by Stuart Harshaw, a former Director of the Company, for advisory services.

The amounts charged to the Company for the services provided have been determined by negotiations between the parties and are covered by a signed agreement. These services were in the normal course of operations and management believes that they were incurred on a basis consistent with comparable transactions between other non-related parties.

The Company considers its Officers to be key management personnel. Amounts paid to the key management personnel during the nine months ended September 30, 2021 and 2020 are shown in the following table:

		2021		2020
Salaries or fees	$	388,961	$	170,145
Share-based payments		728,800		112,480
Total key management personnel	$	1,117,761	$	282,625

14. COMMITMENTS

As of September 30, 2021, the Company's aggregate commitments are as follows:

		< 1 year		**1 – 3 years**		**4 -6 years**		**Total**
Accounts payable and accrued liabilities	$	157,564	$	-	$	-	$	157,564
Office lease - undiscounted		98,628		189,036		-		287,664
Totals	$	256,192	$	189,036	$	-	$	445,228

During the period ended September 30, 2021, the Company received a $20,000 (year ended December 31, 2020 - $40,000) Canada Emergency Business Account ("CEBA") loan. During the period ended September 30, 2021, the Company paid back $40,000 of the CEBA loan, thereby settling the entire amount payable under the loan terms.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value
IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

(Stated in Canadian Dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Financial instruments measured at fair value on the consolidated statements of financial position are summarized in levels of fair value hierarchy as follows:

	September 30, 2021	December 31, 2020
	Level 1	Level 1
Cash and cash equivalents	$ 15,453,516	$ 5,835,074

The carrying value of receivables excluding GST and tax credits, reclamation bonds and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities, including credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under the direction and guidance of the Board of Directors. Management is responsible for establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statements of financial position and arises from the Company's cash and cash equivalents, receivables, excluding GST receivable and British Columbia mineral exploration tax credits receivable, and reclamation deposits.

The Company's cash and cash equivalents are held in accounts with a Canadian chartered bank and a brokerage firm. Cash in excess of the amounts needed to fund the Company's day-to-day operating expenses is invested in securities guaranteed by the federal or British Columbia government. The reclamation deposits are in the form of Guaranteed Investment Certificates pledged to the Minister of Finance for the Province of British Columbia to cover the estimated cost of reclaiming the Company's exploration projects.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had cash and cash equivalent balances of $15,453,516 to settle current liabilities of $239,651. All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

(a) Interest rate risk

The Company has cash and cash equivalents balances and periodically monitors the investments it makes and is satisfied with the credit ratings of the financial institutions it deals with and the securities in which its funds are invested.

(b) Foreign currency rate risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

Sensitivity Analysis

The Company works toward its capital management objectives to the extent possible while facing the challenges of market conditions and the public's assessment of the Company's risk profile. Its capital management objectives have not changed over the period presented.

The carrying value of cash and cash equivalents, receivables, excluding GST receivable and reclamation deposits, accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturities of these financial instruments.

Based on management's knowledge of and experience in the financial markets, management does not believe that the Company's current financial instruments will be materially affected by credit risk, liquidity risk or market risk.

The Company is not subject to any financial covenants. The Company monitors its financing requirements through cash forecasting, consideration of current economic conditions and reviews of economic and political commentaries in respect of future developments. Financing decisions are based on the timing and extent of expected operating and capital cash outlays. Factors considered when determining whether to issue equity include the amount of cash sought, the availability of these sources and their terms.

16. CAPITAL MANAGEMENT

At September 30, 2021, the Company had working capital of $16,210,051 (December 31, 2020 - $5,702,379). The Company manages its cash, cash equivalents and common shares as capital. The Company's objectives in managing its capital are to:

- Maintain sufficient cash and cash equivalents to last a minimum of one year;
- Have the flexibility to achieve its on-going business objectives, including but not limited to funding work programs on its exploration and evaluation assets and pursuing new business opportunities as they arise, and
- Minimize dilution to existing shareholders.

The Directors have not specified a quantitative return on capital criteria for management, but rather rely on the expertise of management to sustain future development of the business.

The Company's exploration and evaluation assets are in the development stage and the Company does not generate a positive cash flow. As a consequence, the Company relies on accessing the capital markets to obtain the funds needed to carry on its business. It is the Company's intention to utilize its existing working capital and to raise additional funds as needed. The additional funds will be raised primarily through the issuance of its securities in equity financings.