Brigadier Gold Limited

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Brigadier Gold Limited

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates the Company has reported successive operating losses and has limited capital resources. As stated in Note 1, these material uncertainties may cast significant doubt as to the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Catherine Tai.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

May 2, 2022

BRIGADIER GOLD LIMITED.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

	DECEMBER 31, 2021	DECEMBER 31, 2020
ASSETS		
Current		
Cash	**$ 948,569**	$ 1,373,008
Restricted cash (Note 3)	**28,750**	28,750
Receivables	**12,874**	9,260
Prepaid expenses	**11,918**	87,706
Exploration deposits (Note 6)	**-**	115,489
Convertible note receivable	**1**	1
	1,002,112	1,614,214
Equipment (Note 4)	**17,096**	27,884
Investments (Note 5)	**-**	22,050
Total Assets	**$ 1,019,208**	$ 1,664,148
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 10)	**$ 228,575**	$ 87,965
Total Liabilities	**228,575**	87,965
SHAREHOLDERS' EQUITY		
Share Capital (Note 7)	**15,787,012**	14,076,105
Warrant Reserve	**235,493**	1,454,036
Contributed Surplus	**8,312,416**	5,876,253
Deficit	**(23,544,288)**	(19,830,211)
Total Equity	**790,633**	1,576,183
Total Liabilities and Shareholders' Equity	**$ 1,019,208**	$ 1,664,148

Nature of operations and Going Concern (Note 1)
Commitments (Note 15)
Subsequent events (Note 16)

The financial statements were approved and authorized for issue by the Board of Directors on May 2, 2022. They were signed on the Company's behalf by:

"Robert Birmingham"	*"Garry Clark"*
Director	Director

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

BRIGADIER GOLD LIMITED.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	YEARS ENDED DECEMBER 31, 2021	2020
Expenses		
Consulting (Note 10)	**$ 227,189**	$ 384,625
Exploration and evaluation expenses (Note 6)	**1,453,892**	1,320,978
Foreign exchange loss (gain)	**20,521**	2,472
General and administration (Note 10)	**126,930**	129,181
Investor relations filing and transfer fees	**24,033**	76,742
Management fees (Note 10)	**132,718**	217,832
Marketing	**596,324**	952,701
Professional fees (Note 10)	**77,471**	169,442
Share-based compensation (Note 10 and 8)	**1,066,555**	911,333
	(3,725,633)	(4,165,306)
Change in fair value of investments (Note 5)	**(5,550)**	-
Realized gain on sale of investments (Note 5)	**5,742**	14,550
Gain on settlement of debt (Note 7)	**11,364**	-
Loss and Comprehensive Loss for the Year	**$ (3,714,077)**	$ (4,150,756)
Loss Per Share, Basic and diluted	**$ (0.05)**	$ (0.09)
Weighted Average Number of Common Shares Outstanding	**73,896,170**	45,664,706

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

BRIGADIER GOLD LIMITED.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	YEARS ENDED DECEMBER 31 2021	2020
Cash Provided By (Used In):		
Operating Activities		
Loss for the year	**$ (3,714,077)**	$ (4,150,756)
Items not affecting cash:		
Change in fair value of investments	**5,550**	(14,550)
Gain on sale of investment	**(5,742)**	-
Gain on settlement of debt	**(11,364)**	-
Depreciation of exploration equipment	**10,788**	4,497
Share-based compensation	**1,066,555**	911,333
Shares issued for exploration and evaluation expense (Note 8)	**45,375**	30,846
Shares issued pursuant to management fee agreement	**-**	171,000
Net changes in non-cash operating working capital items:		
Receivable	**(3,614)**	-
Prepaid expenses and receivables	**75,788**	(53,451)
Exploration advances	**115,489**	(115,489)
Accounts payable and accrued liabilities	**240,610**	(40,828)
	(2,174,642)	(3,257,398)
Investing Activities		
Restricted cash	**-**	(28,750)
Property, plant and equipment	**-**	(32,381)
Proceeds from sale of marketable securities	**22,242**	-
	22,242	(61,131)
Financing Activities		
Proceeds from issuance of units, net of issue costs	**951,961**	3,967,500
Proceeds from exercise of warrants	**776,000**	474,000
	1,727,961	4,441,500
Change In Cash	**(424,439)**	1,122,971
Cash, Beginning of Year	**1,373,008**	250,037
Cash, End of Year	**$ 948,569**	$ 1,373,008

Supplemental Cash flow Information (Note 14)

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

BRIGADIER GOLD LIMITED.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR FROM JANUARY 1, 2020 TO DECEMBER 31, 2020

(Expressed in Canadian Dollars)

	SHARE CAPITAL		WARRANT	CONTRIBUTED		TOTAL
	SHARES	AMOUNT	RESERVE	SURPLUS	DEFICIT	EQUITY
Balance January 1, 2020	30,582,810	$ 10,886,795	$ -	$ 4,964,920	$ (15,679,455)	$ 172,260
Issuance of common shares in private placement	27,461,538	4,200,000	-	-	-	4,200,000
Share issuance costs	-	(232,500)	-	-	-	(232,500)
Fair value of warrants issued in private placement	-	(1,507,100)	1,507,100	-	-	-
Issuance of common shares for exploration and evaluation asset	500,000	25,000	-	-	-	25,000
Issuance of common shares pursuant to exploration and evaluation property finder's fees agreement	15,800	5,846	-	-	-	5,846
Issuance of common shares pursuant to management contract	600,000	171,000	-	-	-	171,000
Issuance of common shares upon exercise of share purchase warrants	4,740,000	474,000	-	-	-	474,000
Reclassification of fair value of warrants exercised	-	53,064	(53,064)	-	-	-
Share based compensation arising on stock option grants	-	-	-	779,419	-	779,419
Share based compensation arising on grant of restricted share units	-	-	-	131,914	-	131,914
Loss for the year	-	-	-	-	(4,150,756)	(4,150,756)
Balance December 31, 2020	**63,900,148**	**$ 14,076,105**	**$ 1,454,036**	**$ 5,876,253**	**$ (19,830,211)**	**$ 1,576,183**

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

BRIGADIER GOLD LIMITED.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR FROM JANUARY 1, 2021 TO DECEMBER 31, 2021
(Expressed in Canadian Dollars)

	SHARE CAPITAL		WARRANT	CONTRIBUTED		TOTAL
	SHARES	AMOUNT	RESERVE	SURPLUS	DEFICIT	EQUITY
Balance January 1, 2021	63,900,148	$ 14,076,105	$ 1,454,036	$ 5,876,253	$ (19,830,211)	$ 1,576,183
Issuance of common shares in private placement	5,000,000	1,000,000	-	-	-	1,000,000
Share issuance costs	-	(60,012)	11,972	-	-	(48,040)
Fair value of warrants issued in private placement	-	(223,521)	223,521	-	-	-
Issuance of shares in settlement of debt	454,545	88,636	-	-	-	88,636
Issuance of common shares for exploration and evaluation asset	475,000	45,375	-	-	-	45,375
Issuance of shares - exercise of warrants	7,760,000	860,429	(84,429)	-	-	776,000
Warrant expiry	-	-	(1,369,607)	1,369,607	-	-
Share based compensation - stock option	-	-	-	676,009	-	676,009
Share based compensation arising on grant of restricted share units	-	-	-	390,547	-	390,547
Loss for the period	-	-	-	-	(3,714,077)	(3,714,077)
Balance December 31, 2021	**77,589,693**	**$ 15,787,012**	**$ 235,493**	**$ 8,312,416**	**$ (23,544,288)**	**$ 790,633**

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

1. Nature of Operations and Going Concern

Brigadier Gold Limited (the “Company”) was incorporated under the Corporations Act (Ontario) and was continued into British Columbia under the Business Corporations Act (British Columbia) on June 19, 2020. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol BRG. The address of the Company’s registered office is 300 Bellevue Centre, 235 – 15th Street, West Vancouver, BC, V7T 2X1.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

These consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a “going concern”, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

The Company has reported successive operating losses and has limited capital resources. The Company will require additional funding to continue operations for the next 12 months. The protracted effects of COVID-19, successive operating losses, together with the challenges of securing requisite funding have resulted in material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on May 2, 2022.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss which are measured at fair value.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1848246 Ontario Inc. (formerly known as 1534185 Alberta Inc.), a Canadian corporation, and Incahusai Exploraciones S.A., a company incorporated in Mexico. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances, transactions, revenues and expenses have been eliminated.

2. Summary of Significant Accounting Policies

(c) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial Instruments - classification and measurement

Financial assets are classified and measured based on these categories: fair value through profit or loss ("FVPL"); fair value through other comprehensive income ("FVOCI"); or amortized cost. Financial liabilities are classified and measured based on two categories: FVPL or amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Financial assets and liabilities classified as FVPL are measured at fair value with changes in fair value recognized in profit or loss. Financial assets designated as FVOCI are measured at fair value with changes in fair value recognized in other comprehensive income with such changes never being reclassified to profit or loss. Financial assets and liabilities classified as amortized cost are initially measured at fair value, net of any transaction costs incurred and are measured subsequently using the effective interest method.

The Company's financial instruments consists of the following:

Financial assets and liabilities	*Classification*
Cash	Amortized cost
Restricted cash	Amortized cost
Receivables	Amortized cost
Convertible note receivable	Amortized cost
Investments	FVPL
Accounts payable and accrued liabilities	Amortized cost

Financial instruments recorded at fair value in the consolidated statements of financial position are classified according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements.

The three levels of fair value hierarchy are as follows:

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

(d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include option payments, the costs of licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed as incurred.

2. Summary of Significant Accounting Policies (Continued)

(e) Equipment

Exploration equipment is recorded at cost and depreciated over its estimated useful life at the following rate:

a) three years straight line.

The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

(f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use.

(g) Translation of foreign currencies

The Company's presentation currency is the Canadian dollar. The Company considers the functional currency of its Canadian operations and its subsidiaries to be the Canadian dollar. Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At the end of each reporting period, monetary assets and liabilities are translated using the year end foreign exchange rate at that date. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(h) Provisions

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company has recorded no provisions for the years presented.

(i) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

2. Summary of Significant Accounting Policies (Continued)

(i) Income taxes (Continued)

The Company recognizes deferred tax on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in computing taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

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

(j) Loss per common share

Basic loss per share is computed by dividing the loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive.

(k) Share capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value method. Costs directly identifiable with 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 in the period they are incurred.

(l) Warrant Reserve

The fair value of compensatory warrants is determined upon their issuance in settlement of share issuance costs and finders' fees, using the Black-Scholes option pricing model. Units issued in a private placement are allocated using the relative fair value method. All such warrants are classified in a warrant reserve within equity. If the warrants are converted, the value attributable to the warrants is transferred to common share capital. Upon expiry, the amounts recorded for expired warrants is transferred to contributed surplus from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

(m) Share-based payments

The Company operates an employee stock option plan and a restricted share unit award plan. The plans allow Company employees, directors and consultants to acquire shares of the Company and are equity award plans. The fair value of equity awards granted is recognized as an employee or consultant expense with a corresponding increase in equity.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

2. Summary of Significant Accounting Policies (Continued)

(m) Share-based payments (Continued)

The fair value of the equity awards granted are measured at grant date and each tranche is recognized on a graded basis over the period during which the awards vest. The fair value of the equity award is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the equity award was granted. At the end of each reporting period, the amount recognized as an expense for unvested equity awards is adjusted to reflect the actual number of equity awards that are expected to vest.

Compensation expense on equity awards granted to non-employees is measured at the earlier of the completion of performance and the date the awards are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non- transferability, exercise restrictions, and behavioural considerations.

(n) Significant accounting judgments and estimates

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 financial statements and reported amounts of expenses during the reporting period. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

The following are items involving key judgment and estimates:

Significant judgments

Going concern

These financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, deferral of commitments, negotiation of supplier terms and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and to satisfy their obligations as they become due.

Income taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense, and indirect taxes. The Company is subject to assessments by tax authorities who may interpret tax law differently. These factors may affect the final amount or the timing of tax payments.

(Expressed in Canadian Dollars)

2. Summary of Significant Accounting Policies (Continued)

Significant estimates

Share-based payments

The Company uses the Black-Scholes valuation model to determine the fair value of options and compensatory warrants granted to employees and non-employees under share-based payment arrangements, where appropriate. In estimating fair value, management is required to make certain assumptions and estimates such as the expected term of the instrument, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date, by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. Changes in assumptions used to estimate fair value could result in materially different results.

(o) Accounting Standards issued but not yet applied

At the date of approval of these consolidated financial statements a number of standards and interpretations have been issued, which are not yet effective. The Company considers these new standards and interpretations are either not applicable to the Company's operations or are not expected to have a material impact on the Company's consolidated financial statements.

3. Restricted Cash

Restricted cash represents collateral in respect of the corporate credit card facility with a financial institution.

4. Equipment

	DECEMBER 31	
	2021	**2020**
Cost	**$**	$
Balance, January 1	**32,381**	-
Additions	**-**	32,381
Balance December 31	**32,381**	32,381
Depreciation		
Balance, January 1	**4,497**	-
Charge for the year	**10,788**	4,497
Balance December 31	**15,285**	4,497
Net Book Value		
Balance December 31	**17,096**	27,884

*Depreciation expense is included in exploration and evaluation expenses (Note 6).

(Expressed in Canadian Dollars)

5. Investments

	DECEMBER 31	
	2021	2020
	$	$
Prosper Gold Corp – 15,000 Common Shares*	**-**	22,050

*The Prosper Gold Corp shares were received pursuant to the sale of certain mining claims and at the time of receipt had a fair value of $16,500 (Note 6). During the year ended December 31, 2021, the shares were sold for gross proceeds of $22,242.

6. Mineral Property Expenditures

	DECEMBER 31	
	2021	2020
	$	$
Killala Lake South Diamond Property, Canada	**73,198**	51,865
Picachos Gold-Silver Property, Mexico	**1,380,694**	1,269,113
	1,453,892	1,320,978

Killala Lake South Diamond Property, Canada

On May 11, 2020, the Company entered into an option agreement to purchase a 100% interest in certain mineral claims known as located in Thunder Bay mining District, Ontario, known as the Killala Lake South Diamond Property.

The option payments consist of cash payments of $110,000 and the issuance of 1,600,000 common shares as follows:

a) Cash Payments

   a. $15,000 within 5 days of the effective date of the agreement (May 11, 2020) (paid);
   b. $15,000 on or before the first (paid), second and third anniversaries from May 11, 2020; and
   c. $50,000 on or before the fourth anniversary of receipt of regulatory approval.

b) Share Consideration

   a. The issuance of 500,000 common shares within 10 business days of receipt of TSX-V approval of the agreement (issued, with a value of $25,000);
   b. The issuance of 200,000 common shares on or before the first (issued, with value of $22,000), second and third anniversaries of receipt of regulatory approval.
   c. The issuance of 500,000 common shares on or before the fourth anniversary of receipt of regulatory approval.

(Expressed in Canadian Dollars)

6. Mineral Property Interests (continued)

Killala Lake South Diamond Property, Canada (continued)

The Company also agreed to issue additional common shares upon achieving certain milestones as follows:

d. The issuance of 1,000,000 common shares in the event a NI43-101 compliant report calculation commissioned for the purchaser identifies a resource exceeding 3 million carats;
e. The issuance of 1,000,000 common shares upon completion of a positive bankable feasibility study commissioned by the purchaser;
f. The issuance of 500,000 common shares for each kimberlite or lamporoite pipe drilled within the area of interest which produces more than 10 commercial sized diamonds.

c) Other contingent consideration

Further, if an ore deposit within the optioned property is sold or optioned to a 3rd party the purchaser shall make a cash payment to the optionor equal to 5% of the net sale price, or issue common shares with an equivalent value. If paid in shares the deemed value of each share shall be the greater of:

a. The volume weighted average of the price per share as reported on the TSX-V for the prior 10 consecutive trading days;

b. The minimum price per share permissible pursuant to applicable securities law and requirements of the TSX-V.

The agreement is subject to a 3% Gross overriding Royalty (“GOR”) with respect to diamonds extracted from the property and a 2% Net Smelter Royalty (“NSR”) in respect of any non-diamond minerals discovered on the property. The Company has the right to purchase 50% of the GOR and NSR at any time for cash consideration of $2,000,000 and $1,000,000 respectively.

Costs expensed on the property were as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Acquisition costs		
Option Payments	$ 37,000	$ 40,000
Exploration expenditures		
Reports and mapping	36,198	11,865
	$ 73,198	$ 51,865

6. Mineral Property Interests (continued)

Picachos Gold-Silver Property, Mexico

On August 4, 2020, the Company entered into an option agreement to acquire a 100% interest in the Picachos Gold-Silver Property located in Sinaloa, Mexico.

The option payments consist of cash payments of US$275,000, the issuance of 4,000,000 common shares and completing US$3,850,000 of exploration expenditures as follows:

1. Cash Payments

   a. US $35,000 upon execution of the LOI (Paid Cdn$47,685)
   b. US $25,000 on or before August 4, 2022;
   c. US $40,000 on or before August 4, 2023;
   d. US $75,000 on or before August 4, 2024;
   e. US $100,000 on or before August 4, 2025.

2. Share Consideration

   The issuance of common shares as follows:

   a. 250,000 common shares on or before August 4, 2021 (issued with a value of $21,250);
   b. 500,000 common shares on or before August 4, 2022;
   c. 750,000 common shares on or before August 4, 2023;
   d. 1,000,000 common shares on or before August 4, 2024;
   e. 1,500,000 common shares on or before August 4, 2025.

3. Exploration expenditures

   a. US $100,000 on or before August 4, 2021 (incurred);
   b. US $500,000 on or before August 4, 2022;
   c. US $750,000 on or before August 4, 2023;
   d. US $1,000,000 on or before August 4, 2024;
   e. US $1,500,000 on or before August 4, 2025.

The Company also agreed to make payments to the optionor for Picachos development milestones as follows:

   a. 1,000,000 common shares of the Company upon delineating a mineral resource estimate containing a minimum of 350,000 ounces of gold in the inferred category (based on the then current Canadian Institute of Mining definitions);
   b. US$725,000 and 1,000,000 common shares of the Company upon completion of a feasibility study recommending the construction of a mine on the Property; and
   c. US$2,000,000 upon commencement of commercial production.

The Company may, at its option, issue common shares in lieu of one half of the cash payments to be made pursuant to each of ii) and iii) above.

The agreement is subject to a 2% NSR on production from the property.

(Expressed in Canadian Dollars)

6. Mineral Property Interests (continued)

Picachos Gold-Silver Property, Mexico (continued)

The Company has further entered into a finder's fee agreement with respect to the above agreement and shall compensate the finder with up to 1,084,401 common shares over the term of the option agreement as follows:

a. 15,800 common shares on regulatory approval of the Agreement (issued with a value of $5,846);
b. 25,000 common shares on or before August 4, 2021 (issued with a value of $2,125);
c. 60,765 common shares on or before August 4, 2022;
d. 69,793 common shares on or before August 4, 2023;
e. 100,393 common shares on or before August 4, 2024;
f. 97,572 common shares on or before August 4, 2025;
g. 50,000 common shares upon receiving a resource estimate containing a minimum of 350,000 ounces of gold;
h. 213,645 upon completion of a feasibility study;
i. 451,433 upon commencement of commercial production.

Payment of the finder's fee is dependent upon the Company keeping the option agreement in good standing, and other milestone events.

Costs expensed on the property were as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
	$	$
Acquisition costs		
Option payments	21,250	47,685
Finders fees	2,125	5,846
	23,375	53,531
Exploration expenditures		
Regulatory, property access, permits and fees	97,383	52,773
Drilling	384,947	642,635
Depreciation of exploration assets	10,788	4,497
Reports and mapping	49,246	8,822
Geologist and consulting fees	159,147	78,042
Labour	148,205	95,461
Camp, supplies and office expenses	99,081	94,969
Assays	219,961	93,839
Fuel	42,267	23,124
Equipment rental	146,294	121,420
	1,357,319	1,215,582
	1,380,694	1,269,113

As at December 31, 2021, the Company had made no exploration advances to the operator (December 31, 2020 - $115,489).

Subsequent to December 31, 2021, management decided to no longer explore the Picachos Gold-Silver property. The Company will not continue to make further option payments.

7. Share Capital

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

During the year ended December 31, 2021 the Company:

(i) Completed a private placement of 5,000,000 units at $0.20 per unit for gross proceeds of $1,000,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at an exercise price of $0.30 until March 16, 2022.

The share purchase warrants have been valued at $223,521 using the Black-Scholes option pricing model with the following assumptions, Exercise price: $0.30; Volatility: 107%; Risk free rate: 0.21%; Term: 1 year; annual rate of dividends: $Nil.

In connection with the private placement the Company also incurred share issuance costs aggregating $60,012 consisting of cash finders' fees of $42,840, the issuance of 214,200 finders' warrants with a value of $11,972 and cash filing fees of $5,200. Each finders' warrant entitles the holder to purchase one Common share at $0.30 until March 16, 2022.

The finders' warrants have been valued at $11,972 using the Black-Scholes option pricing model with the following assumptions, Exercise price: $0.30; Volatility: 107%; Risk free rate: 0.21%; Term: 1 year; annual rate of dividends: $Nil.

(ii) Issued 454,545 common shares with a value of $88,636 in settlement of $100,000 debt relating to a contract for corporate marketing services.

(iii) Issued 7,760,000 common shares upon exercise of 7,760,000 share purchase warrants for proceeds of $776,000. As a result of the exercise the Company also reallocated $84,429 of the warrant reserve to share capital.

b) Issued share capital (continued)

(iv) Issued 475,000 common shares valued at $45,375 pursuant to mineral property option agreements for its Killala Lake South Diamond Property in Canada and Picachos Gold-Silver Property in Mexico. See Note 6 for details.

During the year ended December 31, 2020, the Company:

a) Completed a private placement of 14,000,000 units at $0.05 per unit for gross proceeds of $700,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at an exercise price of $0.10 until June 3, 2021.

The share purchase warrants have been valued at $152,250 using the Black-Scholes option pricing model with the following assumptions, Exercise price: $0.10; Volatility: 107%; Risk free rate: 0.284%; Term: 1 year; annual rate of dividends: $Nil. In connection with the private placement the Company also incurred share issuance costs aggregating $27,110 consisting of finders' fees of $21,035 and filing fees of $6,075

(Expressed in Canadian Dollars)

7. Share Capital (continued)

b) Closed a non-brokered private placement of 13,461,538 units at a price of $0.26 per unit for gross proceeds of up to $3,500,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at an exercise price of $0.40 until July 24, 2021.

The share purchase warrants have been valued at $1,354,850 using the Black-Scholes option pricing model with the following assumptions, Exercise price: $0.40; Volatility:163%; Risk free rate: 0.238%; Term: 1 year; annual rate of dividends: $Nil.

In connection with the private placement the Company also incurred share issuance costs aggregating $205,390 consisting of finders' fees of $186,678 and filing fees of $18,712.

c) Issued 500,000 common shares with a fair value of $25,000 pursuant to the Killala Lake South Diamond Property Option Agreement.

(iv) Issued 15,800 common shares with a fair value of $5,846 pursuant to the Picacho Gold Silver Property finder's fee agreement.

(v) Issued 600,000 common shares with a fair value of $171,000 pursuant to a management fee contract with the Chief Operating Officer

(vi) Issued 4,740,000 common shares upon exercise of 4,740,000 share purchase warrants for proceeds of $474,000. As a result of the exercise the Company also reallocated $53,064 of the warrant reserve to share capital.

c) Share Purchase Warrants

A summary of changes in share purchase warrants for the years ended December 31, 2021 and 2020 is presented below:

	YEAR ENDED DECEMBER 31, 2021		YEAR ENDED DECEMBER 31, 2020	
	NUMBER	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		$		**$**
Balance, beginning of year	22,721,538	0.28	-	-
Issued	**5,000,000**	**0.30**	27,461,538	0.25
Exercised	**(7,760,000)**	**0.10**	(4,740,000)	0.10
Expired	**(14,961,538)**	**0.37**	-	-
Balance, end of year	**5,000,000**	**0.30**	22,721,538	0.28

As at December 31, 2021, the following share purchase warrants are outstanding:

EXERCISE PRICE	**NUMBER OUTSTANDING**	**NUMBER EXERCISABLE**	**EXPIRY DATE**
$			
0.30	**5,000,000**	**5,000,000**	**March 16, 2022**

(Expressed in Canadian Dollars)

7. Share Capital (continued)

d) Broker warrants

A summary of changes in broker warrants for the years ended December 31, 2021 and 2020 is presented below:

	YEAR ENDED DECEMBER 31, 2021		YEAR ENDED DECEMBER 31, 2020	
	NUMBER	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		$		**$**
Balance, beginning of year	**-**	-	-	-
Issued	**214,200**	**0.30**	-	-
Balance, end of year	**214,200**	**0.30**	-	-

As at December 31, 2021 the following finders' warrants are outstanding:

EXERCISE PRICE	**NUMBER OUTSTANDING**	**NUMBER EXERCISABLE**	**EXPIRY DATE**
$			
0.30	**214,200**	**214,200**	**March 16, 2022**

8. Share Based Payments

a) Stock Options

The number of shares reserved for issuance under the Company's stock option plan is limited to 10% of the number of shares which are issued and outstanding on the date of a particular grant of options. Under the plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the period of time during which the options may vest, unless otherwise required by applicable securities law, stock exchange and other regulatory requirements, and when they become exercisable, as well as the option exercise price, which shall not be less than the prevailing price permitted by the TSX-V. The Directors determine the recipients of, and nature and size of, share-based payment awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

(Expressed in Canadian Dollars)

8. Share Based Payments (continued)

a) Stock Options (continued)

A summary of changes in stock options for the years ended December 31, 2021 and 2020 is presented below:

	YEAR ENDED DECEMBER 31, 2021		YEAR ENDED DECEMBER 31, 2020	
	NUMBER	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		$		**$**
Balance, beginning of year	**4,550,000**	**0.35**	-	-
Issued	**750,000**	**0.22**	4,550,000	0.35
Expired	**(350,000)**	**0.35**	-	-
Balance, end of year	**4,950,000**	**0.33**	4,550,000	0.35

On June 9, 2021, the Company granted 150,000 stock options exercisable at $0.30 until June 9, 2026 to the Company providing CFO services. The stock options vested on December 9, 2021.

On March 22, 2021, the Company granted 600,000 stock options exercisable at $0.20 until March 22, 2024 to certain consultants of the Company. The stock options vested immediately on March 22, 2021.

The stock options issued during the year ended December 31, 2021, have been valued at $82,580 using the Black-Scholes option pricing model with the following assumptions, Exercise price from $0.20 to $0.30; Volatility from 94% to 97%; Risk free rate from 0.50% to 0.89%; Term: 3 to 5 years; annual rate of dividends - $Nil. During the year ended December 31, 2021, the Company recorded $82,580 (2020 - $Nil) of share-based compensation in respect of the grants.

During the year ended December 31, 2020, the Company granted 4,550,000 stock options exercisable at $0.35 to Directors, Officers, and consultants. The stock options vested six months after the grant date.

The stock options issued during the year ended December 31, 2020, were valued at $1,370,850 using the Black-Scholes option pricing model with the following assumptions, Exercise price - $0.35; Volatility from 173% to 215%; Risk free rate from 0.203% to 0.235%; Term: 1 and 2 years; annual rate of dividends - $Nil. During the year ended December 31, 2021, the Company recorded $593,429 (2020 - $779,419) of share-based compensation in respect of the grants.

(Expressed in Canadian Dollars)

8. Share Based Payments (continued)

a) Stock options (continued)

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

EXERCISE PRICE	NUMBER OUTSTANDING	NUMBER EXERCISABLE	EXPIRY DATE
$			
0.30	**150,000**	**150,000**	**June 9, 2026**
0.20	**600,000**	**600,000**	**March 22, 2024**
0.35	**150,000**	**150,000**	**November 23, 2022**
0.35	**4,050,000**	**4,050,000**	**September 18, 2022**

b) Restricted Share Unit Award Plan

On August 26, 2020, the Company adopted a Restricted Share Unit Award Plan (“RSU Plan”), whereby the maximum number of common shares reserved for issuance under the RSU Plan combined with all of the Company’s other security based compensation arrangements including the Company’s Stock Option Plan shall not exceed 10% of the Company’s outstanding shares.

A summary of changes in Restricted Share Units for the years ended December 31, 2021 and 2020 is presented below:

	YEAR ENDED DECEMBER 31, 2021		YEAR ENDED DECEMBER 31, 2020	
	NUMBER	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		$		**$**
Balance, beginning of year	**1,335,601**	**0.35**	-	-
Issued	**500,000**	**0.18**	1,335,601	0.35
Cancelled	**(100,000)**	**0.35**	-	-
Balance, end of year	**1,735,601**	**0.30**	1,335,601	0.35

On April 1, 2021, the Company granted 500,000 RSU’s to an officer of the Company. The RSU’s vest on October 1, 2021 and expire on April 1, 2024. The RSU’s have been valued at $90,000 based on the market price of the Company’s shares on the grant date. During the year ended December 31, 2021, the Company recorded $90,000 (2020 - $Nil) of share-based compensation in respect of the grant.

On September 18, 2020, the Company granted 1,335,601 RSU’s to certain consultants, a director, and an officer of the Company. The RSU’s vest on September 18, 2021 and expire on September 18, 2023. The RSU’s have been valued at $467,460 based on the market price of the Company’s shares on the grant date. During the year ended December 31, 2021, the Company recorded $300,547 (2020 - $131,914) of share-based compensation in respect of the grant.

(Expressed in Canadian Dollars)

8. Share Based Payments (continued)

b) Restricted Share Units Award Plan (continued)
As at December 31, 2021, the following RSU's were outstanding:

NUMBER OUTSTANDING	NUMBER EXERCISABLE	EXPIRY DATE
500,000	**500,000**	**April 1, 2024**
1,235,601	**1,235,601**	**September 18, 2023**

9. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	YEAR ENDED DECEMBER 31, 2021	2020
	$	$
Loss for the year	**(3,714,077)**	(4,150,756)
Expected income tax (recovery)	(1,003,000)	(1,121,000)
Change in statutory, foreign tax, foreign exchange rates and other	3,000	(40,000)
Permanent differences	289,000	244,000
Share issue cost	(13,000)	(63,000)
Adjustment to prior years provision versus statutory tax return	16,000	-
Change in unrecognized deductible temporary differences	708,000	980,000
Total income tax expense (recovery)	-	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	YEAR ENDED DECEMBER 31, 2021	2020
	$	$
Deferred tax assets (liabilities)	987,000	641,000
Exploration and evaluation assets	4,000	1,000
Equipment	52,000	61,000
Share issue costs	-	(1,000)
Marketable securities	3,000	3,000
Convertible note receivable	16,000	2,329,000
Non-capital losses available for future period	2,680,000	3,034,000
	3,742,000	3,034,000
Unrecognized deferred tax assets	(3,742,000)	(3,034,000)
Net deferred tax assets	-	-

(Expressed in Canadian Dollars)

9. Income Taxes (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences	$		$	
Exploration and evaluation assets	3,654,000	No expiry date	2,211,000	No expiry date
Investment tax credit	-	2021 to 2040	61,000	2021 to 2040
Equipment	15,000	No expiry date	4,000	No expiry date
Share issue costs	194,000	2041 to 2045	227,000	2041 to 2044
Marketable securities	-	No expiry date	(6,000)	No expiry date
Convertible note receivable	26,000	No expiry date	26,000	No expiry date
Allowable capital losses	60,000	No expiry date	-	No expiry date
Non-capital losses available for future periods	9,928,000	2026 to 2040	8,626,000	2026 to 2040
Canada	9,928,000	2026 to 2040	8,626,000	2026to 2040

Tax attributes are subject to review and potential adjustment by tax authorities.

10. Related Party Transactions

Related party transactions reflected in these consolidated financial statements are as follows:

Key management personnel include directors and officers of the Company.

(i) During the year ended December 31, 2021, the Company recorded $98,689 (2020 - $93,752) of consulting fees in relation to services provided by the directors of the Company.

(ii) During the year ended December 31, 2021, the Company recorded $11,400 (2020 - $33,900) of professional fees in relation to services provided by the former Chief Financial Officer of the Company. As at December 31, 2021 - $Nil (December 31, 2020 - $8,000) was payable to the former CFO.

(iii) During the year ended December 31, 2021, the Company recorded $35,085 (2020 - $30,000) of administrative fees in relation to services provided by the former Corporate Secretary of the Company.

(iv) On October 30, 2020, the Company entered into a management fee contract with the former President and CEO of the Company. During the year ended December 31, 2021, the Company recorded $51,268 (2020 - $26,476) of management fees in relation to services provided pursuant to the contract for services rendered. On April 1, 2021, a new President and CEO was appointed, and the former President and CEO remains a director of the Company who continues to receive compensation included in the consulting fees in (i) above.

(v) On October 30, 2020, the Company entered into a management fee contract with a company controlled by the Chief Operating Officer of the Company. During the year ended December 31, 2021, the Company recorded $81,544 (2020 - $191,355) of management fees pursuant to the contract for services rendered.

10. Related Party Transactions (Continued)

(vi) On April 1, 2021, a new Chief Executive Officer was appointed. During the year ended December 31, 2021, the Company recorded $95,000 (2020 - $Nil) of consulting fees in relation to services provided by the CEO of the Company.

(vii) On June 9, 2021, a new Chief Financial Officer and Corporate Secretary was appointed. During the year ended December 31, 2021, the Company recorded $35,000 (2020 - $Nil) of administrative fees in relation to services provided by the CFO of the Company.

(viii) During the year ended December 31, 2021, the Company recorded $12,000 (2020 - $12,000) administrative fees in relation to services provided by the former CEO of the Company.

(ix) During the year ended December 31, 2021, the Company recorded $713,340 (2020 - $625,441) in respect of share-based compensation arising from the granting of stock options and issuance and vesting of restricted stock units to Directors and Officers of the Company.

(x) As at December 31, 2021, there were $96,910 (2020 - $18,137) payable to related parties.

11. Capital Management

The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets. The Company defines capital to be the components of shareholders' equity. To effectively manage the Company's capital requirements, the Company has in place planning, budgeting, and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. There were no externally imposed capital requirements to which the Company is subject as at December 31, 2021. There were no changes to the management of capital in the year ended December 31, 2021.

12. Financial Instruments and Risk Management

The carrying values of cash, restricted cash, receivables, convertible note receivable, and accounts payable and accrued liabilities are considered representative of their respective fair values due to their short-term period to maturity.

Investments have been recorded at fair market value, using level one of the fair value hierarchy.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

<u>Credit risk</u>

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk is the carrying value of cash, restricted cash, and receivables. Substantially all of the Company's cash and restricted cash is held with major financial institutions in Canada and receivables consist of GST refunds from the Canadian government. Management believes the exposure to credit risk with such institutions is not significant.

12. Financial Instruments and Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of the business of the Company.

The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 11, in normal circumstances. Further information regarding liquidity risk is set out in note 1. The Company is exposed to liquidity risk.

Interest rate risk

The Company had no significant exposure as at December 31, 2021, to interest rate risk through its financial instruments.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

The Company operates in Canada and Mexico and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar. Foreign currency risk is related to the exposure of financial instruments denominated in currencies other than Canadian dollars. As of December 31, 2021, a 10% appreciation (depreciation) in the United States dollar against the Canadian dollar, with all other variables held constant, would not result in any significant impact on the Company's profit or loss for the year.

13. Segmented Information

The Company has one operating segment, being the acquisition of exploration of mineral properties. The Company's accounting policy with respect to exploration and evaluation assets is to expense all costs as incurred.

The Company is conducting exploration activities in Canada and Mexico and accordingly has geographical segments to its operations.

During the year ended December 31, 2021, the Company incurred $1,380,694 (2020 – $1,269,113) of acquisition and exploration expenditures on its Mexican property, and $73,198 (2020 – $51,865) on its Canadian property. All other expenses incurred in the year ended December 31, 2021 were incurred in Canada.

As of December 31, 2021, non-current assets located in Mexico comprised the equipment of $17,096 (2020 - $27,884).

(Expressed in Canadian Dollars)

14. Supplemental Cash Flow Information

	YEAR ENDED DECEMBER 31,	
	2021	**2020**
	$	**$**
Non-cash transactions		
Shares issued for debt settlement	**88,636**	**-**
Transfer to share capital from warrants on exercise of share purchase warrants	**84,429**	**53,064**
Finder's warrants	**11,972**	**-**
Expired warrants	**1,369,607**	**-**

15. Commitments

i) On October 30, 2020, the Company entered into a Management Services Agreement with the President and former Chief Executive Officer ("CEO") of the Company, Mr. Ranjeet Sundher. The agreement provides for the CEO to receive annual compensation of USD$120,000, discretionary bonuses, and participation in the equity-based compensation plans adopted by the Company. Remuneration is to be reviewed annually.

The agreement may be terminated without cause at any time by the Company, by delivering to the CEO written notice stipulating the date of termination, and by paying a lump sum settlement in an amount equal to 200% of the effective compensation at the time of termination.

On April 1, 2021, Ranjeet Sundher resigned as President, and CEO of the Company.

ii) On October 30, 2020, the Company appointed a new Chief Operating Officer ("COO"). The Company also entered into a Management Services Agreement with 677185 BC Ltd, (the "Consultant"), an entity controlled by the COO. The agreement provides for annual compensation of USD$90,000, discretionary bonuses, and participation in the equity-based compensation plans adopted by the Company. Remuneration is to be reviewed annually. The agreement also provides for an incentive signing bonus to be paid in common shares of the equivalent to 1% of the outstanding share capital of the company at the effective date of the agreement to be paid to the Consultant or the COO at the discretion of the Consultant.

On October 30, 2020, the Company issued 600,000 common shares with a fair value of $171,000 in full settlement of the signing bonus.

The agreement may be terminated without cause at any time by the Company, by delivering to the Consultant written notice stipulating the date of termination, and by paying a lump sum settlement in an amount equal to 200% of the effective compensation at the time of termination.

16. Subsequent Events

On March 16, 2022, 5,000,000 share purchase warrants and 214,200 broker warrants, all with an exercise price of $0.30 expired unexercised.