

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Stallion Gold Corp. (formerly Hybrid Minerals Inc.)

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not generated any revenues and incurred negative cash flow from operations during the year ended December 31, 2021 and, as of that date, the Company has an accumulated deficit of \$9,151,110. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance consolidated 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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.

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 Lonny Wong.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

May 2, 2022

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	December 31, 2021 \$	December 31, 2020 \$
Assets		
Current assets		
Cash	3,198,029	2,574,675
Amounts receivable	70,145	51,508
Prepaid expenses and deposits	19,948	60,000
Total current assets	3,288,122	2,686,183
Non-current assets		
Exploration and evaluation asset (Note 4)	6,803,889	–
Total assets	10,092,011	2,686,183
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	169,187	189,275
Due to related party (Note 5)	–	299,202
Total liabilities	169,187	488,477
Shareholders' equity		
Share capital (Note 6)	17,187,761	9,223,240
Share-based payment reserve (Note 7)	1,078,848	778,561
Warrants reserve (Note 6)	807,325	738,446
Accumulated other comprehensive loss	–	(6,172)
Deficit	(9,151,110)	(8,536,369)
Total shareholders' equity	9,922,824	2,197,706
Total liabilities and shareholders' equity	10,092,011	2,686,183

Nature of business and continuing operations (Note 1)

Subsequent events (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on May 2, 2022:

/s/ "Drew Zimmerman"

Drew Zimmerman, Director

/s/ "Jay Martin"

Jay Martin, Director

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

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended December 31, 2021 \$	Year ended December 31, 2020 \$
Expenses		
Consulting fees (Note 5)	173,600	109,000
Impairment of exploration and evaluation asset (Note 4)	–	312,090
Investor relations	40,830	–
Management fees (Note 5)	163,200	18,145
Office and miscellaneous	62,516	964
Professional fees (Note 5)	107,897	62,449
Project evaluation costs	7,267	9,008
Rent	7,259	–
Salaries	1,782	24,256
Share-based compensation (Note 7)	300,287	–
Transfer agent and filing fees	95,265	49,417
Total expenses	959,903	585,329
Loss before other income	(959,903)	(585,329)
Other income		
Gain on disposal of subsidiaries (Note 3)	338,505	–
Interest income	6,657	–
Total other income	345,162	–
Net loss for the year	(614,741)	(585,329)
Comprehensive income (loss)		
Unrealized gain on foreign currency translation	6,172	6,763
Comprehensive loss for the year	(608,569)	(578,566)
Loss per share, basic and diluted	(0.01)	(0.04)
Weighted average number of common shares outstanding	42,017,707	16,032,680

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

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve \$	Warrants reserve \$	Accumulated other comprehensive loss \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares	Amount \$					
Balance, December 31, 2019	10,560,002	6,879,412	778,561	191,753	(12,935)	(7,951,040)	(114,249)
Shares issued for private placement	20,000,000	3,000,000	—	—	—	—	3,000,000
Shares issued pursuant to exercise for share purchase warrants	500,000	274,590	—	(124,590)	—	—	150,000
Share issuance costs	—	(930,762)	—	671,283	—	—	(259,479)
Foreign currency translation gain	—	—	—	—	6,763	—	6,763
Net loss for the year	—	—	—	—	—	(585,329)	(585,329)
Balance, December 31, 2020	31,060,002	9,223,240	778,561	738,446	(6,172)	(8,536,369)	2,197,706
Shares issued for private placement	5,002,500	2,001,000	—	—	—	—	2,001,000
Shares issued for exploration and evaluation asset	12,000,000	6,120,000	—	—	—	—	6,120,000
Share issuance costs	—	(156,479)	—	68,879	—	—	(87,600)
Fair value of stock options granted	—	—	300,287	—	—	—	300,287
Foreign currency translation gain	—	—	—	—	6,172	—	6,172
Net loss for the year	—	—	—	—	—	(614,741)	(614,741)
Balance, December 31, 2021	48,062,502	17,187,761	1,078,848	807,325	—	(9,151,110)	9,922,824

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

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Year ended December 31, 2021 \$	Year ended December 31, 2020 \$
Operating activities		
Net loss for the year	(614,741)	(585,329)
Items not involving cash:		
Gain on disposal of subsidiaries	(338,505)	–
Impairment of exploration and evaluation asset	–	312,090
Share-based compensation	300,287	–
Changes in non-cash operating working capital:		
Amounts receivable	(19,961)	(10,008)
Prepaid expenses and deposits	(19,948)	(60,000)
Accounts payable and accrued liabilities	20,539	24,795
Due to related party	–	(6,016)
Net cash used in operating activities	(672,329)	(324,468)
Investing activities		
Exploration and evaluation asset expenditures	(623,889)	–
Net cash used in investing activities	(623,889)	–
Financing activities		
Proceeds from issuance of shares	2,001,000	3,150,000
Share issuance costs	(87,600)	(259,479)
Net cash provided by financing activities	1,913,400	2,890,521
Effects of foreign exchange rate changes on cash	6,172	6,763
Change in cash	623,354	2,572,816
Cash, beginning of year	2,574,675	1,859
Cash, end of year	3,198,029	2,574,675
Non-cash investing and financing activities:		
Shares issued for acquisition of exploration and evaluation asset	6,120,000	–
Fair value of agent's warrants recorded as share issuance costs and warrants reserve	68,879	671,283
Prepaid deposit applied to exploration and evaluation asset expenditures	60,000	–

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

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

1. Nature of Business and Continuing Operations

Stallion Gold Corp. (formerly Hybrid Minerals Inc. and Savoy Ventures Inc.) (the “Company”) was incorporated on November 7, 2011 under the Business Corporations Act (British Columbia). The head office of the Company is located at Suite 700, 838 West Hastings Street, Vancouver, British Columbia, V6C 0A6.

The Company’s principal business activities include the acquisition and exploration of mineral property assets.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. For the year ended December 31, 2021, the Company has not generated any revenues and incurred negative cash flow from operating activities. As at December 31, 2021, the Company has an accumulated deficit of \$9,151,110. The Company’s ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt on the ability of the Company to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary, Hybrid Minerals USA Inc. (“Hybrid USA”), Mineral One Corporation (“Mineral One”), which is a wholly-owned U.S. subsidiary of Hybrid USA, and Stallion Gold Idaho Corp. (“Stallion Idaho”). All significant inter-company balances and transactions have been eliminated on consolidation. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for the part of the year during which control exists. Effective January 1, 2021, the Company disposed its wholly owned Canadian subsidiary, Hybrid USA and Mineral One, which is a wholly-owned US. subsidiary of Hybrid USA.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars.

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include the recoverability of exploration and evaluation assets, fair value of share-based compensation, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amount of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Exploration and evaluation expenditures

(i) Exploration and evaluation expenditures

Asset acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of asset acquisition costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments relating to assets acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the consolidated financial statements upon payment.

Option payments received are treated as a reduction of the carrying value of the related asset until the Company's option and/or royalty payments received are in excess of costs incurred and then are credited to income.

All expenditures related to the cost of exploration and evaluation of assets including acquisition costs for interests in mineral claims are classified and capitalized as intangible assets until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be depreciated over the estimated useful life of the property following commencement of commercial production or will be written off if the property is sold, allowed to lapse, abandoned, or determined to be impaired.

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(d) Exploration and evaluation expenditures (continued)

(i) Exploration and evaluation expenditures

The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company when all terms of agreements have been met, there can be no assurance that such title will ultimately be secured.

(ii) Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carry amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of operations.

(e) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

STALLION GOLD CORP.

(formerly Hybrid Minerals Inc.)

Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(e) Restoration, rehabilitation, and environmental obligations (continued)

Discount rates using a pre-tax rate that reflects the time value of money and risks specific to the liability are used to calculate the net present value. These costs are charged to the statement of operations over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in the consolidated statement of operations. The Company has no restoration, rehabilitation and environmental obligations as at December 31, 2021 and 2020.

(f) Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related party	Amortized cost

Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

STALLION GOLD CORP.

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Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Financial instruments (continued)

Financial Assets (continued)

Financial assets at amortized cost (continued)

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss. The Company's accounts payable and accrued liabilities, and amounts due to related parties are measured at amortized cost.

Impairment of financial assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

STALLION GOLD CORP.

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Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(h) Foreign Currency Translation

Items included in the financial statements of each of the group's entities are measuring using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Realized foreign exchange gains and losses are included in the consolidated statement of operations.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the that statement of financial position;
- income and expenses for each statement of operations and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognized in other comprehensive income.

STALLION GOLD CORP.

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Notes to the Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. When expenditures are renounced to flow through share investors, the deferred income tax liability associated with the renounced tax deductions is recognized through the statement of operations with a pro-rata portion of the deferred premium.

(j) Share-based payments

The Company has an equity-settled share-based compensation plan. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the consolidated statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

(k) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. As at December 31, 2021, the Company has 5,090,917 (2020 –2,504,000) potentially dilutive shares outstanding.

(l) Comprehensive loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. During the years ended December 31, 2021 and 2020, other comprehensive loss includes foreign currency translation gains and losses.

(m) Reclassifications

Certain of the prior year figures have been reclassified to conform to the current year's presentation.

(n) Accounting standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2021, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

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3. Disposition of Subsidiaries

On January 1, 2021, the Company disposed of its wholly owned Canadian subsidiary, Hybrid USA, and Mineral One, which is a wholly-owned US. subsidiary of Hybrid USA. On January 1, 2021, the Company derecognized the assets and liabilities of Hybrid USA and Mineral One which resulted in a gain of \$338,505 summarized as follows:

	\$
Assets and liabilities derecognized	
Accounts receivable	1,324
Accounts payable	(40,627)
Due to related party	(299,202)
Net liabilities derecognized	338,505
Gain on disposal	338,505

4. Exploration and Evaluation Assets

	Horse Heaven Property \$	Chuchinka Property \$	
<i>Acquisition costs:</i>			
Balance, December 31, 2019	–	337,090	337,090
Impairment	–	(337,090)	(337,090)
Balance, December 31, 2020	–	–	–
Cash payment	400,000	–	400,000
Share payment	6,120,000	–	6,120,000
Balance, December 31, 2021	6,520,000	–	6,520,000
<i>Exploration costs:</i>			
Balance, December 31, 2019 and 2020	–	–	–
Geological consulting and fieldwork	283,889	–	283,889
Balance, December 31, 2021	283,889	–	283,889
<i>Carrying amounts:</i>			
As at December 31, 2020	–	–	–
As at December 31, 2021	6,803,889	–	6,803,889

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4. Exploration and Evaluation Assets (continued)

Horse Heaven Property

On March 1, 2021, the Company entered into a Share Option Agreement (“Agreement”) pursuant to which the Company has been granted the option to acquire all the shares outstanding in 1262446 B.C. Ltd. (“Horse Heaven Parent”), a private mineral exploration company. Horse Heaven Parent is the sole owner of Horse Heaven Holdings Inc. which holds a 100% interest in the Horse Heaven mineral property located in Idaho, USA. As consideration, the Company has agreed to pay a total of \$1,200,000 and issue an aggregate 36,000,000 common shares as follows:

- \$200,000 as a non-refundable deposit on the letter of intent and execution and delivery of the agreement (paid).
- \$200,000 and 12,000,000 common shares following the satisfaction or waiver of all of the conditions precedent in the Agreement (the “Effective Date”) (paid and issued) (Note 6);
- \$400,000 and 12,000,000 common shares on the first anniversary of the Effective Date; and
- \$400,000 and 12,000,000 common shares on the second anniversary of the Effective Date.

The Company holds the right to accelerate any of these payments at its discretion and, upon all payments and share issuances being made, the option will be exercised.

Chuchinka Property

On February 26, 2019, the Company entered into an agreement to acquire an undivided 100% right, title, and interest in one mineral claim located in the Cariboo mining division, British Columbia. Pursuant to the agreement, the Company is to pay \$25,000 and issue 500,000 units upon TSX Venture Exchange approval (issued). Each unit consisted of one common share and one transferable share purchase warrant entitling the holder to acquire an additional common share of the Company at an exercise price of \$0.30 per share for a period of two years from the date of issuance.

During the year ended December 31, 2020, the Company recognized an impairment loss of \$312,090 on the Chuchinka property as the Company did not intend to complete the terms of the purchase agreement.

5. Related Party Transactions

- (a) As at December 31, 2021, the amount of \$73,400 (2020 – \$73,400) was owed to a company where the former President of the Company is the President, CEO, and CFO. The amount owed is non-interest bearing, unsecured and due on demand and is included in accounts payable and accrued liabilities.
- (b) During the year ended December 31, 2021, the amount of \$127,200 (2020 – \$nil) was incurred to a company controlled by the Chief Executive Officer of the Company for management fees.
- (c) During the year ended December 31, 2021 the amounts of \$36,000 (2020 – \$3,000) and \$24,000 (2020 - \$2,000) were incurred to companies controlled by the Chief Financial Officer of the Company for management fees and professional fees, respectively.
- (d) As at December 31, 2021, the amount of \$nil (2020 - \$299,202 (US\$235,000)) was owed to a company controlled by former directors of Mineral One.
- (e) As at December 31, 2021, the balance owing of \$8,538 (2020 - \$nil) to a company controlled by the VP Exploration of the Company was included in accounts payable and accrued liabilities. During the year ended December 31, 2021, the amount of \$136,900 (2020 - \$nil) was incurred to a company controlled by the VP Exploration of the Company for consulting fees.
- (f) As at December 31, 2021, the balance owing of \$3,150 (2020 - \$nil) to a company controlled by the Corporate Secretary of the Company was included in accounts payable and accrued liabilities. During the year ended December 31, 2021, the amount of \$36,000 (2020 - \$6,000) was incurred to a company controlled by the Corporate Secretary of the Company for consulting fees.

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5. Related Party Transactions (continued)

- (g) During the year ended December 31, 2021, the amount of \$nil (2020 – \$7,500) was incurred to the former Chief Financial Officer of the Company for management fees.
- (h) During the year ended December 31, 2021 the amount of \$nil (2020 – \$7,645) was incurred to the former President of the Company for management fees.

6. Share Capital

Authorized: Unlimited common shares without par value

Shares issued during the year ended December 31, 2021:

- (a) On June 2, 2021, the Company issued 12,000,000 common shares with a fair value of \$6,120,000 pursuant to the Agreement to acquire Horse Heaven Parent (Note 3).
- (b) On July 15, 2021, the Company issued 5,002,500 units at a price of \$0.40 per share for gross proceeds of \$2,001,000. Each unit consisted of one common share and one-half of one transferable share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at an exercise price of \$0.50 expiring on July 15, 2022. In connection with this private placement, the Company paid finders' fees of \$87,600. The Company also issued 219,000 finder's warrants with a fair value of \$68,879. Each finder's warrant entitles the holder to purchase one common share at an exercise price of \$0.50 per share expiring on July 15, 2022. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with an expected life of one year, volatility of 202%, risk-free rate of 0.25%, and dividend yield of 0%.

Shares issued during the year ended December 31, 2020:

- (c) On October 1, 2020, the Company issued 20,000,000 common shares at a price of \$0.15 per share for gross proceeds of \$3,000,000. In addition, the Company paid finders' fees of \$235,700 and incurred share issuance costs of \$23,779. The Company also issued 1,570,667 finder's warrants with a fair value of \$671,283. Each finder's warrant entitles the holder to purchase one common share at an exercise price of \$0.15 per share expiring on October 1, 2022. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with an expected life of two years, volatility of 177%, risk-free rate of 0.22%, and dividend yield of 0%.
- (d) During the year ended December 31, 2020, the Company issued 500,000 common shares for proceeds of \$150,000 pursuant to the exercise of share purchase warrants. The fair value of share purchase warrants exercised of \$124,590 was transferred from warrants reserve to share capital upon exercise.

7. Stock Options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange requirements, grant to directors, officers, and consultants to the Company, non-transferable options to purchase common shares. The number of common shares reserved for issuance is not to exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant.

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7. Stock Options (continued)

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2019 and 2020	933,333	1.20
Granted	900,000	0.345
Expired	(1,033,333)	1.12
Outstanding, December 31, 2021	800,000	0.345

Additional information regarding stock options outstanding as at December 31, 2021, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.345	800,000	4.2	0.345

During the year ended December 31, 2021, the Company recognized share-based compensation expense of \$300,287 (2020 - \$nil) in share-based payment reserve. The fair of the stock options granted were calculated using the Black Scholes Option Pricing Model with the following weighted average assumptions: expected life of the options: 5 years, expected volatility: 190%, expected dividend yield: 0%, no forfeitures, and risk-free rate: 0.82%. The weighted average grant date fair value was \$0.33 per option.

8. Share Purchase Warrants

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2019	500,000	0.30
Issued	1,570,667	0.15
Exercised	(500,000)	0.30
Balance, December 31, 2020	1,570,667	0.15
Issued	2,720,250	0.50
Balance, December 31, 2021	4,290,917	0.37

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

Number of warrants outstanding	Exercise price \$	Expiry date
2,720,250	0.50	July 15, 2022
1,570,667	0.15	October 2, 2022
4,290,917		

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9. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share-based payment reserve, and warrants reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2020.

10. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which include cash, accounts payable and accrued liabilities, and amount due to a related party, approximate their carrying values due to the relatively short-term maturity of these instruments.

(a) Credit Risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions. The carrying amount of these financial assets represents the maximum credit exposure.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company is currently not exposed to any significant liquidity risk.

(c) Foreign Exchange Rate Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is currently not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

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10. Financial Instruments and Risk Management (continued)

(e) Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

11. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rates) of the significant temporary differences, which comprise of deferred income tax assets and liabilities, are as follows:

	2021 \$	2020 \$
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(165,980)	(158,039)
Tax effect of:		
Permanent differences and other	79,766	(75,459)
Change in unrecognized deferred income tax assets	86,214	233,498
Income tax provision	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	2021 \$	2020 \$
Deferred income tax assets		
Non-capital losses carried forward	929,339	600,552
Resource properties	144,203	382,524
Share issuance costs	59,184	63,436
Total gross deferred income tax assets	1,132,726	1,046,512
Unrecognized deferred income tax assets	(1,132,726)	(1,046,512)
Net deferred income tax asset	—	—

As at December 31, 2021, the Company has non-capital losses carried forward of \$3,441,996, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2031	31
2032	34,387
2033	103,654
2034	187,647
2035	194,032
2036	111,943
2037	343,257
2038	744,687
2039	134,893
2040	341,547
2041	1,245,918
	3,441,996

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11. Income Taxes (continued)

The Company also has available mineral resource related expenditure pools totalling \$7,333,485, which may be deducted against future taxable income on a discretionary basis.

12. Subsequent Events

- (a) On February 24, 2022, the Company issued 12,000,000 common shares and paid \$400,000 pursuant to the Horse Heaven agreement (Note 4).
- (b) On February 28, 2022, the Company granted 850,000 stock options exercisable at a price of \$0.345 per common share expiring on February 28, 2027 to directors and consultants of the Company.