

GETTY COPPER INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING DECEMBER 31, 2021

(Stated in Canadian dollars)

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Independent Auditor's Report

To the Shareholders of Getty Copper Inc.,

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Getty Copper Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in 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 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 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 incurred losses since inception, has no source of operating revenue and has a working capital deficiency of \$1,359,937. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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 James Roxburgh.



CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
April 20, 2022

GETTY COPPER INC.
Consolidated Statements of Financial Position
(Stated in Canadian Dollars)

| | December 31, 2021 | December 31, 2020 |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 113,509 | \$ 55,871 |
| Amounts receivable (Note 5) | 15,409 | 75,261 |
| Prepaid expenses | 10,705 | 2,702 |
| | <u>139,623</u> | <u>133,834</u> |
| Reclamation Bonds | 52,000 | 17,000 |
| Exploration and Evaluation Assets (Note 6) | 6,095,186 | 5,664,579 |
| Property, Building and Equipment (Note 7) | 88,014 | 90,814 |
| | <u>\$ 6,374,823</u> | <u>\$ 5,906,227</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (Note 8) | \$ 387,803 | \$ 464,344 |
| Provisions (Note 9) | 307,000 | 302,400 |
| Current portion of mortgage payable (Note 11) | 8,616 | 9,795 |
| Loans payable (Notes 18 and 19) | 796,141 | 694,827 |
| | <u>1,499,560</u> | <u>1,471,366</u> |
| Mortgage payable (Note 11) | - | 8,616 |
| Debenture (Notes 12, 18 and 19) | 1,211,127 | 1,142,573 |
| CEBA loan payable (Notes 13 and 18) | - | 60,000 |
| | <u>1,211,127</u> | <u>1,211,189</u> |
| | <u>2,710,687</u> | <u>2,682,555</u> |
| SHAREHOLDERS' EQUITY | | |
| Share Capital (Note 15) | 24,229,383 | 23,565,099 |
| Share-based Reserves (Note 16) | 1,932,457 | 1,827,111 |
| Deficit | (22,497,704) | (22,168,538) |
| | <u>3,664,136</u> | <u>3,223,672</u> |
| | <u>\$ 6,374,823</u> | <u>\$ 5,906,227</u> |

Nature of Business and Continuing Operations (Note 1)
Commitment (Note 22)

Approved by:

“Meryl Tellis, CFO”

“ John Lepinski, CEO”

See accompanying notes to the consolidated financial statements

GETTY COPPER INC.
Consolidated Statements of Comprehensive Loss
For the Year Ending December 31
(Stated in Canadian dollars)

| | Year Ending Dec. 31, 2021 | Year Ending Dec. 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Expenses: | | |
| Depreciation | \$ 53 | \$ 66 |
| Bank charges & interest | 394 | 531 |
| Filing fees | 8,808 | 8,848 |
| Interest (Notes 18 and 19) | 42,814 | 35,640 |
| Interest - long term (Notes 11, 12, and 19) | 69,382 | 66,064 |
| Insurance | 6,395 | 7,655 |
| Marketing & promotion | 582 | 941 |
| Office & miscellaneous | 4,427 | 2,959 |
| Professional fees | 46,420 | 38,887 |
| Property tax | 5,688 | 4,662 |
| Rent (Note 19) | 6,000 | 6,000 |
| Share-based payments (Note 15(d)) | 105,346 | 42,000 |
| Telephone | 5,531 | 5,835 |
| Transfer fees | 11,131 | 8,328 |
| Travel | 838 | 4,367 |
| Wages & benefits | 40,476 | 41,039 |
| | <u>354,285</u> | <u>273,822</u> |
| Other Items: | | |
| Interest income | 121 | 212 |
| BC METC refund | 4,998 | - |
| Gain on forgiveness of CEBA loan | 20,000 | - |
| Write off Accounts Payable (Note 21) | - | 251,974 |
| | <u>(25,119)</u> | <u>252,186</u> |
| Net and comprehensive loss for the year | <u>\$ (329,166)</u> | <u>\$ (21,636)</u> |
| Loss per share (Note 3(e)) | <u>\$ (0.003)</u> | <u>\$ (0.0002)</u> |
| Weighted-average number of common shares outstanding | <u>111,120,005</u> | <u>108,427,205</u> |

See accompanying notes to the consolidated financial statements

GETTY COPPER INC.
Consolidated Statements of Changes in Equity
For the Year Ending December 31,
(Stated in Canadian dollars)

| | Share Capital | Share-based Reserves | Deficit | Total |
|---|----------------------|-----------------------------|------------------------|---------------------|
| Balance, January 1, 2021 | \$ 23,565,099 | \$ 1,827,111 | \$ (22,168,538) | \$ 3,223,672 |
| Shares Issued | 673,200 | - | - | 673,200 |
| Cost of Issue | (8,916) | - | - | (8,916) |
| Net and comprehensive loss for the year | - | - | (329,166) | (329,166) |
| Share-based payments | - | 105,346 | - | 105,346 |
| Balance, December 31, 2021 | \$ 24,229,383 | \$ 1,932,457 | \$ (22,497,704) | \$ 3,664,136 |
| Balance, January 1, 2020 | \$ 23,565,099 | \$ 1,785,111 | \$ (22,146,902) | \$ 3,203,308 |
| Net and comprehensive loss for the year | - | - | (21,636) | (21,636) |
| Share-based payments | - | 42,000 | - | 42,000 |
| Balance, December 31, 2020 | \$ 23,565,099 | \$ 1,827,111 | \$ (22,168,538) | \$ 3,223,672 |

See accompanying notes to the consolidated financial statements

GETTY COPPER INC.
Consolidated Statements of Cash Flows
For the Year Ending December 31, 2021
(Stated in Canadian dollars)

| | Year Ending Dec. 31, 2021 | Year Ending Dec. 30, 2020 |
|---|------------------------------|------------------------------|
| Cash Provided By (used for) | | |
| Operating Activities | | |
| Net loss for the year | \$ (329,166) | \$ (21,636) |
| Items not involving cash: | | |
| Depreciation | 53 | 66 |
| Share-based payments | 105,346 | 42,000 |
| Interest on loans payable | 42,814 | 35,640 |
| Interest on debenture | 68,554 | 64,674 |
| Gain forgiveness of CEBA Loan | (20,000) | - |
| Write-off of accounts payable | - | (251,974) |
| | <u>(132,399)</u> | <u>(131,230)</u> |
| Net Change in Non-Cash Working Capital Items: | | |
| Amounts receivable | 59,852 | 21,714 |
| Prepaid expenses | (8,003) | 2,410 |
| Accounts payable and accrued liabilities | (15,406) | 35,946 |
| Provisions | 4,600 | 2,400 |
| Other: | | |
| Interest income | (121) | (212) |
| Interest income received | 121 | 212 |
| Interest expense | 394 | 531 |
| Interest paid | (394) | (531) |
| | <u>(91,356)</u> | <u>(68,760)</u> |
| Financing Activities | | |
| Loans payable proceeds | 58,500 | 83,500 |
| Mortgage payable repayment | (9,795) | (9,232) |
| Reclamation Bond | (35,000) | - |
| CEBA loan (repayment) proceeds | (40,000) | 60,000 |
| Private placement | 673,200 | - |
| Cost of issue | (4,800) | - |
| | <u>642,105</u> | <u>134,268</u> |
| Investing Activities | | |
| Investment in exploration and evaluation assets | (493,111) | (19,135) |
| | <u>(493,111)</u> | <u>(19,135)</u> |
| Increase in Cash | 57,638 | 46,373 |
| Cash, beginning of the year | 55,871 | 9,498 |
| Cash, end of the year | <u>\$ 113,509</u> | <u>\$ 55,871</u> |

Non-cash transactions - See Note 20.

See accompanying notes to the consolidated financial statements

GETTY COPPER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ending December 31, 2021 and 2020
(Stated in Canadian dollars)

1. Nature of Business and Continuing Operations:

Getty Copper Inc. (the "Company") was incorporated under the Canada Business Corporations Act in September 1987 and its common shares are listed for trading on the TSX Venture Exchange. Subsequent to incorporation, the Company has gone through a number of name changes and in March 2003, its name was changed to Getty Copper Inc. The Company is in the business of mineral exploration and mine development in the Highland Valley area of British Columbia.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. The Company has incurred losses since inception, has no source of operating revenue and at December 31, 2021, has a working capital deficiency of \$1,359,937. The Company has been and remains dependant on its capacity to raise funds via equity issuances under terms that are consistent with the best interests of shareholders in order to finance its operations. These conditions may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements contain no provisions for adjustments which may become necessary if the Company becomes unable to continue on a going concern basis.

As the Company is in the exploration and evaluation stage, the Company has not yet determined whether its mineral rights contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral rights and the ability of the Company to meet its obligations are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the mineral rights and future profitable production or proceeds from the disposition thereof.

2. Statement of Compliance and Basis of Preparation:

Statement of Compliance

The annual consolidated financial statements of the Company for the year ending December 31, 2021 and 2020 have been prepared by management and approved and authorized for issue by the Board of Directors on April 20, 2022. Shortly thereafter, the consolidated financial statements are made available to shareholders and others through filing on SEDAR.

Basis of Preparation

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with IFRS.

These consolidated financial statements include the accounts of the parent company and its inactive Canadian subsidiary, Getty Mineral Holdings Ltd. (82% equity interest). The financial statements of the Company's subsidiary are included in the consolidated financial statements from the date that control commences, until the date that control ceases. Control exists when the Company has the power, directly or indirectly, to determine financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany balances and transactions have been eliminated.

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value, as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Judgements made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Notes 3(a) and 3(b).

GETTY COPPER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ending December 31, 2021 and 2020
(Stated in Canadian dollars)

2. Statement of Compliance and Basis of Preparation (Continued):

All amounts are presented in Canadian dollars, unless otherwise indicated, as a significant amount of the Company's business is conducted in this currency.

Changes in accounting policies and comparability:

During the year ended December 31, 2021, the Company did not adopt any new IFRS pronouncement.

New standards not yet effective

a) IAS 1 – Presentation of Financial Statements

An amendment to IAS 1 was issued in January 2020 and applies to annual reporting periods beginning on or after January 1, 2023. The amendment clarifies the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

3. Significant Accounting Policies:

a) Critical accounting policies, key judgements and estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates. The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

b) Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

i. Impairments

Exploration and evaluation assets and property, building and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. If an asset's recoverable amount is less than the asset's carrying amount, an impairment loss is recognized. Refer to Notes 6 and 7.

ii. Going concern

Judgement is used in determining the Company's ability to continue as a going concern in order to discharge its obligations as they fall due.

GETTY COPPER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Significant Accounting Policies (Continued):

c) Key sources of measurement uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period:

i. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. Refer to Note 9.

d) Income taxes

Income tax expense represents the sum of tax currently payable and changes to deferred tax assets and liabilities as a result of operations during the year.

Current income taxes

Current income tax assets and liabilities for the current and prior periods 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 by the date of the statement of financial position.

Deferred income taxes

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

Deferred income tax assets and liabilities are recognized for all taxable temporary differences, except where the deferred income tax asset and liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer 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 at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of operations and comprehensive loss.

GETTY COPPER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ending December 31, 2021 and 2020
(Stated in Canadian dollars)

3. Significant Accounting Policies (Continued):

d) Income taxes (continued)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

e) Loss per share

Loss per share has been calculated using the weighted-average number of common shares outstanding during each period. Diluted loss per share has not been calculated as it is anti-dilutive when the numerator used in the calculation is a net loss. For purposes of the calculation of the weighted-average number of common shares outstanding, share consolidations are considered to have occurred on the first day of the earliest fiscal year presented.

f) Financial instruments

Classification

Financial assets are classified as either financial assets at fair value through profit or loss (“FVTPL”), amortized cost, or fair value through other comprehensive income (“FVTOCI”). The company determines the classification of its financial assets at initial recognition.

FVTPL

Financial assets are classified at FVTPL if they are acquired for the purpose of selling in the near term. Gains or losses on these items are recognized in net earnings or loss.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not designated as FVTPL:

- i) The objective of the Company’s business model for these financial assets is to collect their contractual cash flows; and
- ii) The asset’s contractual cash flows represent “solely payments of principal and interest”.

A provision is recorded when the estimated recoverable amount of the financial asset is lower than the carrying amount. At each statement of financial position date, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

FVTOCI

Financial assets are classified as FVTOCI if both of the following criteria are met and the financial assets are not designated as FVTPL:

- i) The objective of the Company’s business model for these financial assets is achieved by both collecting contractual cash flows and selling financial assets; and
- ii) The asset’s contractual cash flows represent “solely payments of principal and interest”.

GETTY COPPER INC.
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(Stated in Canadian dollars)

3. Significant Accounting Policies (Continued):

f) Financial instrument (continued)

For equity securities that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments as FVTOCI, with all subsequent changes in fair value being recognized in other comprehensive income (“OCI”). This election is available for each separate investment.

The Company’s cash and reclamation bonds are classified as subsequently measured at amortized cost.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

De-recognition of Financial Assets

A financial asset is derecognized when:

- The contractual right to the asset’s cash flow expires; or
- If the Company transfers the financial asset and substantially all risks and rewards of ownership to another entity.

Financial liabilities

Classification

All financial liabilities are classified as either financial liabilities at fair value through profit or loss (“FVTPL”) or amortized cost. The company determines the classification of its financial liabilities at initial recognition.

The Company’s accounts payable and accrued liabilities, debenture, mortgage payable, provisions and loans payable are subsequently measured at amortized cost. The Company does not have any financial liabilities designated at FVTPL.

Reclassifications

Financial liabilities cannot be reclassified.

De-recognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire.

GETTY COPPER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ending December 31, 2021 and 2020
(Stated in Canadian dollars)

3. Significant Accounting Policies (Continued):

g) Cash and cash equivalents

Cash consists of funds held in the Company's chequing and savings account that do not have any restrictions placed on them. Cash equivalents include highly liquid investments having terms to maturity of 90 days or less when acquired. As at December 31, 2021 and 2020, the Company had no cash equivalents.

h) Property, building and equipment

Property, building and equipment are recorded at cost less accumulated depreciation and any accumulated impairment write-downs.

Depreciation is charged to the statement of comprehensive loss so as to write-off the cost of assets less their residual values using the declining balance basis at the following annual rates:

| | |
|----------------------|------|
| Automotive equipment | 30% |
| Building | 4% |
| Computer equipment | 45% |
| Computer software | 100% |
| Office equipment | 20% |
| Portable buildings | 30% |

When parts of an item of property, building and equipment have different useful lives, they are accounted for as separate items (major components) of property, building and equipment.

The Company assesses at each statement of financial position date, whether there is an indication that property, building and equipment may be impaired. If any indication of impairment exists, the Company performs an impairment test to determine whether an impairment loss is required to be recognized. Impairment tests are performed in accordance with the steps discussed in the accounting policy note entitled "Impairment of non-financial assets".

i) Exploration and evaluation assets

All direct costs relating to the exploration and evaluation assets that meet the generally accepted criteria for deferral are capitalized as incurred. These criteria include having a clearly defined process with identifiable associated costs, establishment of technical feasibility, an intention to process and sell the recovered minerals to a clearly defined market, and adequate resources exist or are expected to be available to complete the project to commercial production. Acquisition, option payments and direct exploration costs are deferred until the properties are placed into production, sold or abandoned or management has determined there to be impairment, at which time these deferred costs will either be amortized on a unit-of-production basis, charged to operations, if sold, or written-off.

Exploration and evaluation assets are recorded at cost less accumulated impairment losses. Direct costs include any cash consideration and fair market value of shares issued, if any, on the acquisition of a mineral property interest. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when payments are made.

Carrying values of exploration and evaluation assets as reported on the consolidated statement of financial position do not necessarily reflect the actual present or future value. Recovery of carrying values is dependent upon the future commercial success of operations.

Upon establishment of commercial production, carrying values of mineral interests are amortized over the estimated life of the mines, using the unit-of-production basis, based upon the current estimated recoverable reserves and resources.

GETTY COPPER INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ending December 31, 2021 and 2020
(Stated in Canadian dollars)

3. Significant Accounting Policies (Continued):

i) Exploration and evaluation assets (continued)

Management's assessment of the property's estimated current market value may also be based upon a review of other property transactions that have occurred in the same geographical area as that of the property under review. Administrative exploration related costs are expensed as incurred.

j) Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

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

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset, or cash-generating unit, is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset, or cash-generating unit, in prior years.

k) Asset retirement and environmental provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, building and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement and environmental provision is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement and environmental provision is added to the carrying amount of the related asset and the cost is amortized in a manner consistent with the depreciation of the related asset. Following the initial recognition of the asset retirement and environmental provision, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation and accreted over time to its present value. The accretion charge is included in the statement of comprehensive loss within amortization expense. At December 31, 2021 and 2020, the Company cannot reasonably estimate the fair value of the resource properties site restoration costs, if any.

l) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

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3. Significant Accounting Policies (Continued):

m) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount. Refer to Note 19.

n) Share-based payments

The Company grants stock options and warrants to buy common shares of the Company to directors, officers, employees and service providers. The directors, officers and employees receive a portion of their remuneration in the form of share-based payment transactions, whereby employees and service providers render services as consideration for equity transactions (“equity-settled transactions”).

The Board of Directors grants such options and warrants for periods up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The Company recognizes the fair value of share-based payments over the vesting period of the options and warrants. The fair value of the options and warrants granted is calculated using the Black-Scholes option pricing model that takes into account the exercise price, expected life of the option, expected volatility of the underlying shares, expected dividend yield, and the risk-free interest rate for the term of the option. The fair value excludes the effect of non market-based vesting conditions.

o) Equity-settled transactions

The costs of equity-settled transactions with employees and service providers are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is recorded in share-based reserves.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied. Share options granted to employees and service providers are treated as forfeited when such employees cease employment before the end of the vesting period. Such forfeitures result in a reversal of the expense previously recognized, with a corresponding adjustment to the share-based reserves.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement.

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3. Significant Accounting Policies (Continued):

p) Exploration tax credits

Exploration tax credits are recorded as a reduction in exploration costs once there is reasonable assurance that they will be received.

q) Flow through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration program.

Pursuant to the terms of flow-through share agreements and Canadian tax legislation, these shares transfer the tax deductibility of qualifying resource expenditures to investors.

On issuance, the Company allocates the flow-through share into:

- i) Fair value of capital stock; and
- ii) The residual as a flow-through share premium, if any, which is recognized as a liability. Upon expenses being incurred, the Company derecognizes the liability and the related deferred tax liability will be recognized.

The Company is required to spend the proceeds received from the issuance of flow-through shares on Canadian resource property exploration expenditures within a two-year period.

The company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Canada Revenue Agency flow-through regulations. When applicable, this tax is accrued as an expense until paid.

4. Financial Instruments:

Categories of financial instruments

| | Dec. 31, 2021 | Dec. 31, 2020 |
|---|--------------------------|--------------------------|
| Financial Assets – Amortized cost | | |
| Cash | \$ 113,509 | \$ 55,871 |
| Reclamation bonds | 52,000 | 17,000 |
| | \$ 165,509 | \$ 72,871 |
| Financial Liabilities – Amortized cost | | |
| Accounts payable and accrued liabilities | \$ 387,803 | \$ 464,344 |
| Provisions | 307,000 | 302,400 |
| Mortgage payable | 8,616 | 18,411 |
| Debenture | 1,211,127 | 1,142,573 |
| Loans payable and CEBA loan | 796,141 | 754,827 |
| | \$ 2,710,687 | \$ 2,682,555 |

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4. Financial Instruments (Continued):

Fair Value

The Company estimates that the fair value of these financial instruments, excluding debenture, approximates the carrying value at December 31, 2021 and December 31, 2020, respectively. Refer to Note 12.

All financial instruments revaluated at fair value must be classified according to a hierarchy containing 3 levels:

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

5. Amounts Receivable:

| | Dec. 31, 2021 | Dec. 31, 2020 |
|-----------------|--------------------------|--------------------------|
| GST recoverable | \$ 15,409 | \$ - |
| METC receivable | - | 75,261 |
| | \$ 15,409 | \$ 75,261 |

6. Exploration and Evaluation Assets:

The Getty mineral claims are contiguous and are located within the Kamloops Mining District of Highland Valley, British Columbia. Building and equipment depreciation included in exploration costs during the year ending December 31, 2021 amounted to \$2,747 (2020 - \$2,867).

During the year ending December 31, 2021, the Company incurred \$430,607 (2020 - \$22,304) in deferred costs as follows:

| | Getty South | Getty | Total Exploration & Evaluation |
|--------------------------------------|------------------|-------------------|--------------------------------------|
| Geology | \$ 62,834 | \$ 336,432 | \$ 399,266 |
| Other | 5,243 | 26,098 | 31,341 |
| Total exploration & evaluation costs | \$ 68,077 | \$ 362,530 | \$ 430,607 |

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6. Exploration and Evaluation Assets (Continued):

As at December 31, 2021, the Company's historical deferred costs and the current carrying aggregate amount are derived as follows:

| | Getty South | Getty | Total Exploration & Evaluation |
|--------------------------------------|---------------------|--------------------|--------------------------------------|
| Assay | \$ 66,732 | \$ 591,220 | \$ 657,952 |
| Drilling | 453,304 | 4,262,022 | 4,715,326 |
| Environmental | 4,059 | 250,397 | 254,456 |
| Pre-feasibility study | 184,819 | 343,563 | 528,382 |
| Geology | 506,933 | 3,994,331 | 4,501,264 |
| Metallurgy | 16,423 | 974,508 | 990,931 |
| Other | 314,712 | 1,962,590 | 2,277,302 |
| Total exploration & evaluation costs | 1,546,982 | 12,378,631 | 13,925,613 |
| Mineral rights acquisition costs | 1,069,134 | 615,282 | 1,684,416 |
| | 2,616,116 | 12,993,913 | 15,610,029 |
| Write-offs | (800,706) | (8,714,137) | (9,514,843) |
| | <u>\$ 1,815,410</u> | <u>\$4,279,776</u> | <u>\$ 6,095,186</u> |

As at December 31, 2020, the Company's historical deferred costs and the current carrying aggregate amount are derived as follows:

| | Getty South | Getty | Total Exploration & Evaluation |
|--------------------------------------|---------------------|--------------------|--------------------------------------|
| Assay | \$ 66,732 | \$ 591,220 | \$ 657,952 |
| Drilling | 453,304 | 4,262,022 | 4,715,326 |
| Environmental | 4,059 | 250,397 | 254,456 |
| Pre-feasibility study | 184,819 | 343,563 | 528,382 |
| Geology | 444,099 | 3,657,899 | 4,101,998 |
| Metallurgy | 16,423 | 974,508 | 990,931 |
| Other | 309,469 | 2,011,753 | 2,321,222 |
| Total exploration & evaluation costs | 1,478,905 | 12,091,362 | 13,570,267 |
| Mineral rights acquisition costs | 1,069,134 | 615,282 | 1,684,416 |
| | 2,548,039 | 12,706,644 | 15,254,683 |
| Write-offs | (800,706) | (8,714,137) | (9,514,843) |
| METC receivable | - | (75,261) | (75,261) |
| | <u>\$ 1,747,333</u> | <u>\$3,917,246</u> | <u>\$ 5,664,579</u> |

During fiscal 2017, the Company amalgamated a majority of the mineral property claims. In prior years, the Getty Northwest, Getty Central, Getty North and Getty Southwest properties were presented separately. These properties have been consolidated as the Getty property for financial statement presentation purposes.

The Company acquired a 100% interest in the Getty North Property in 1992 from two private corporations controlled by Getty's then president. As consideration, the Company issued 4,608,492 common shares to each of the private corporations involved, subject to the Company obtaining a valuation on the property establishing a minimum value of \$2,304,246 and the approval of the securities commission in existence at that time. The property is subject to a 1.5% net smelter return royalty in favour of a private corporation controlled by the Chief Executive Officer of the Company.

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6. Exploration and Evaluation Assets (Continued):

The Getty Northwest property claims were acquired by the Company through staking this property. This property is also subject to a 1.5% net smelter return royalty in favour of a private corporation controlled by the Chief Executive Officer of the Company.

The Company originally entered into an agreement to acquire a 50% interest in the Getty Central, Getty South and Getty Southwest mineral rights from Robak Industries Ltd. ("Robak"), a private corporation controlled by the Chief Executive Officer of the Company. Certain terms and conditions laid out in this original contract were not met and on November 8, 2002, the Company and Robak terminated the original agreement and entered into a subsequent agreement for the Company to acquire a 100% interest in the Getty Central and Getty Southwest mineral rights and a 50% interest in the Getty South mineral rights in exchange for 6,000,000 common shares of the Company at a deemed value of \$1,200,000. The Company also agreed to pay 100% of the costs to place the Getty South mineral rights into production and granted a 1.5% net smelter royalty on all of these claims in favour of Robak.

Pursuant to asset purchase agreements between Getty Minerals Holdings Ltd. ("GMH") and the Company and Robak dated September 22, 2015, the Company and Robak agreed to transfer their respective interests in the Getty Claims (as defined) to GMH on the basis that the fair market value of their interests in the Getty Claims represent 82% and 18% respectively of the fair market value of their combined interests in the Getty Claims. The purchase price of the mineral property interest will be 82% (the Company) and 18% (Robak) of the fair market value of their combined interests. GMH will pay the purchase price by issuing 8,200 Class B (the Company) and 1,800 Class C (Robak) preferred shares at a deemed consideration per share equal to the purchase price divided by the number of preferred shares issued and the redemption amount of the preferred shares being equal to the purchase price per share.

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to its properties are in good standing.

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7. Property, Building and Equipment:

| | Automotive equipment | Computer equipment | Computer software | Office equipment | Portable buildings | Building | Land | Totals |
|---|-------------------------|-----------------------|----------------------|---------------------|-----------------------|------------|-----------|------------|
| Cost | | | | | | | | |
| Balance, January 1, 2020 | \$ 29,318 | \$ 100,841 | \$ 74,359 | \$ 54,407 | \$ 12,112 | \$ 178,124 | \$ 22,322 | \$ 471,483 |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Balance, December 31, 2020 | 29,318 | 100,841 | 74,359 | 54,407 | 12,112 | 178,124 | 22,322 | 471,483 |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Balance, December 31, 2021 | \$ 29,318 | \$ 100,841 | \$ 74,359 | \$ 54,407 | \$ 12,112 | \$ 178,124 | \$ 22,322 | \$ 471,483 |
| Depreciation and impairment losses | | | | | | | | |
| Balance, January 1, 2020 | \$ 29,318 | \$ 100,841 | \$ 74,359 | \$ 53,932 | \$ 12,112 | \$ 107,174 | \$ - | \$ 377,736 |
| Depreciation for the period | - | - | - | 95 | - | 2,838 | - | 2,933 |
| Impairment loss | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Balance, December 31, 2020 | 29,318 | 100,841 | 74,359 | 54,027 | 12,112 | 110,012 | - | 380,669 |
| Depreciation for the period | - | - | - | 76 | - | 2,724 | - | 2,800 |
| Impairment loss | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Balance December 31, 2021 | \$ 29,318 | \$ 100,841 | \$ 74,359 | \$ 54,103 | \$ 12,112 | \$ 112,736 | \$ - | \$ 383,469 |
| Carrying Amounts | | | | | | | | |
| At January 1, 2020 | \$ - | \$ - | \$ - | \$ 475 | \$ - | \$ 70,950 | \$ 22,322 | \$ 93,747 |
| At December 31, 2020 | \$ - | \$ - | \$ - | \$ 380 | \$ - | \$ 68,112 | \$ 22,322 | \$ 90,814 |
| At December 31, 2021 | \$ - | \$ - | \$ - | \$ 304 | \$ - | \$ 65,388 | \$ 22,322 | \$ 88,014 |

The Company owns land and an office/storage building in Logan Lake. The premises are used for core storage, field offices and vehicle storage. The property is encumbered by a mortgage in the amount of \$8,616 as of December 31, 2021 (see Note 11).

8. Accounts Payable and Accrued Liabilities:

| | Dec. 31, 2021 | Dec. 31, 2020 |
|--|--------------------------|--------------------------|
| Trade payables | \$ 188,876 | \$ 272,409 |
| Amounts due to related parties (Note 19) | 198,927 | 191,935 |
| | \$ 387,803 | \$ 464,344 |

9. Provisions:

The provision below represents accruals for professional fees.

| | |
|----------------------------|-------------------|
| Balance, January 1, 2020 | \$ 300,000 |
| Decrease | - |
| Increase | 2,400 |
| Balance, December 31, 2020 | 302,400 |
| Decrease | - |
| Increase | 4,600 |
| Balance, December 31, 2021 | \$ 307,000 |

See Note 18.

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10. Indemnity:

In April, 2009, the Company reached a settlement with one of its Directors to indemnify him for approximately 88% of legal expenses incurred during 2004 to 2007 in connection with his prosecution of legal actions against former Directors who were alleged to have improperly attempted to impugn for personal reasons a 2002 mineral property interest sale agreement ("MPISA") between the Director's company and the Company. The settlement was premised on the fact that the Director's legal actions were of benefit to the Company in the conduct of its own litigation in defense of the MPISA. The settlement provided that the Director was entitled to receive \$650,000 by way of cash of \$50,000 upon execution of a definitive agreement and a secured debenture of \$600,000 bearing interest at 6%. In November 2016, the indemnity and accrued interest was repaid with the funds from a Debenture. See Note 12.

11. Mortgage Payable:

The mortgage payable is associated with the Logan property (see Note 7).

The mortgage payable is secured by a first mortgage on land and building and requires monthly payments of \$885 including interest at 6.0% per annum and the mortgage payable will mature on September 1, 2022.

Principal repayments required are as follows:

| | Dec. 31, 2021 | Dec. 31, 2020 |
|---|------------------|------------------|
| Payable not later than one year | \$ 8,616 | \$ 9,795 |
| Payable later than one year and not later than five years | - | 8,616 |
| | \$ 8,616 | \$ 18,411 |

12. Debenture:

During November 2016, the Company executed a \$900,000 debenture with a company controlled by the Chief Executive Officer of the Company. The debenture bears interest at 6% per annum calculated yearly, not in advance. The principal balance plus all unpaid interest is due and payable at the earlier of:

- three days after the Company has completed, and received the proceeds from, one or more securities offering(s) where the aggregate proceeds are at least \$2 million;
- the date on which the Company sells all or substantially all of its assets; and
- the date on which there is a transfer of the Company's shares which results in more than 50% of the shares being beneficially owned, directly or indirectly, by persons other than the CEO of the Company and any related party.

The debenture is secured by:

- a fixed and specific first mortgage, pledge and charge to and in favour of Robak over: (i) all Crown grants, lands and other real and immovable property owned by the Company together with all appurtenances, buildings and fixtures located thereon; and (ii) all furniture, machinery equipment, vehicles and accessories and other goods and chattels of the Company; and
- a security interest by way of a floating charge on the whole of the Company's undertaking and all of its mineral claims, agreement rights, property and assets, but excluding the property subject to the mortgage.

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12. Debenture (Continued):

The Company has the right to prepay, in whole or in part and subject to a \$10,000 minimum payment, the debenture together with any accrued and unpaid interest without notice, penalty or bonus.

The debenture proceeds were used to repay \$824,625 in liabilities as follows:

- \$581,647 (indemnity of \$450,000 plus \$131,647 in accrued interest) payable to the CEO of the Company;
- \$2,109 (expense reimbursement) payable to the CEO of the Company;
- \$176,119 (loan proceeds of \$171,000 plus \$5,119 in accrued interest) payable to a company with a common director;
- \$56,350 (management fees of \$52,500 plus \$3,850 in taxes) payable to a company with a common director; and
- \$8,400 (rent of \$8,000 plus \$400 in taxes) payable to a company with a common director.

At December 31, 2021, the fair value of the debenture was approximately \$1,212,000 (2020 - \$1,143,000). Fair value was determined using an income approach. An income approach is a present value technique that takes into account the future cash flows that would be expected to be received from holding the debenture as an asset. Present value was calculated using the following attributes – future lump sum payment consisting of principal and accrued interest of approximately \$1,298,000, 14 months to maturity and a discount rate of 6%.

On April 4, 2022, the date of repayment was extended from February 28, 2023 to August 31, 2023. Also see Note 19.

13. CEBA Loan Payable:

During the year ended December 31, 2020, the Company received, through its bank, a \$60,000 Canada Emergency Business Account (“CEBA”) loan (“Principal”). During the initial term expiring on December 31, 2023, the Company was not required to repay any portion of the loan and no interest was to be paid. As the Company repaid \$40,000 of the loan during the year ended December 31, 2021, prior to the initial term expiring, the remaining balance of the loan was forgiven. The balance of the Principal, being \$20,000, was recorded a gain on forgiveness of CEBA Loan on the statement of comprehensive loss.

14. Income Taxes:

A reconciliation of Canadian income taxes at the statutory rate is as follows:

| | December 31, 2021 | December 31, 2020 |
|--|------------------------------|------------------------------|
| | 27% | 27% |
| Net and comprehensive loss for the year | \$ (329,166) | \$ (21,636) |
| Expected income tax recovery | (88,900) | (5,800) |
| Net adjustment for deductible and non-deductible amounts | 27,800 | 11,400 |
| Effect of flow-through renunciations | 107,900 | - |
| Change in deferred tax assets | (46,800) | - |
| Effect of non-capital loss carry forwards | - | (5,600) |
| Income taxes | \$ - | \$ - |

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14. Income Taxes (Continued):

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

| | <u>December 31,</u> <u>2021</u> | <u>December 31,</u> <u>2020</u> |
|---------------------------------|------------------------------------|------------------------------------|
| Deferred income tax assets: | | |
| Mineral properties | \$ 496,300 | \$ 606,700 |
| Non-capital loss carry-forwards | 1,993,400 | 1,932,600 |
| Capital loss carry-forwards | 189,400 | 189,400 |
| Building & equipment | 108,200 | 107,400 |
| Share issue costs | 1,900 | - |
| | <u>2,789,200</u> | <u>2,836,100</u> |
| Valuation allowance | <u>(2,789,200)</u> | <u>(2,836,100)</u> |
| Net deferred tax assets | <u>\$ -</u> | <u>\$ -</u> |

At December 31, 2021, the Company has approximately \$7,381,000 of loss carry forwards which may be available to reduce taxable income in future years. These losses expire as follows:

| | |
|------|---------------------|
| 2026 | <u>\$ 1,111,000</u> |
| 2027 | 2,119,000 |
| 2028 | 205,000 |
| 2029 | 923,000 |
| 2030 | 305,000 |
| 2031 | 139,000 |
| 2032 | 254,000 |
| 2033 | 192,000 |
| 2034 | 256,000 |
| 2035 | 495,000 |
| 2036 | 228,000 |
| 2037 | 236,000 |
| 2038 | 195,000 |
| 2039 | 498,000 |
| 2040 | - |
| 2041 | 225,000 |
| | <u>\$ 7,381,000</u> |

Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$7,933,000 available to reduce taxable income in future years.

Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these consolidated financial statements and have been offset by a valuation allowance.

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15. Share Capital:

a) Authorized: Unlimited number of common shares

| <u>Issued:</u> | Shares | Amount |
|---------------------------|-------------|---------------|
| Balance, January 1, 2020 | 108,427,205 | \$ 23,565,099 |
| Shares issued | - | - |
| Share issue costs | - | - |
| Balance December 31, 2020 | 108,427,205 | 23,565,099 |
| Shares issued | 13,464,000 | 673,200 |
| Share issue costs | - | (8,916) |
| Balance December 31, 2021 | 121,891,205 | \$ 24,229,383 |

Fiscal 2021

On October 18, 2021, the Company closed a private placement, by issuing 3,366,000 units at a price of \$0.20 per unit for gross proceeds of \$673,200.

Each unit consisted of three flow-through common shares, one non flow-through common share, three warrants to purchase flow-through common shares and one warrant to purchase a non flow-through common share (total four shares and four warrants, price equivalent to \$0.05 for each share with a warrant). Each warrant is exercisable at \$0.10 per share for a period of two years from closing subject to the Company's option to accelerate the expiry date of the warrants in the event, at any time subsequent to four months following their issuance, the closing price of the Company's common shares shall exceed \$0.20 per common share for 10 consecutive trading days.

The securities issued under the private placement will be subject to a hold period expiring four months and one day from the date of issuance pursuant to the applicable Canadian securities laws and rules of the TSX Venture Exchange and relevant restrictions under the securities laws of other jurisdictions where the places may be residents.

The Company paid finder's fees totaling \$4,800 and issued 24,000 brokers warrants with each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.10 for a period of 12 months from the date of issuance.

c) Warrants

The following is a summary of changes in share purchase warrants from January 1, 2021 to December 31, 2021:

| Expiry Date | Exercise Price \$ | Number of Warrants January 1, 2021 | Issued | Expired/ Cancelled | Number of Warrants December 31, 2021 |
|-----------------------------------|----------------------|---------------------------------------|------------|-----------------------|---|
| October 19, 2021 | 0.10 | - | 10,098,000 | - | 10,098,000 |
| October 19, 2021 | 0.10 | - | 3,366,000 | - | 3,366,000 |
| | | - | 13,464,000 | - | 13,464,000 |
| Wt. Average price | | 0.00 | | | 0.10 |
| Wt. Average remaining life (yrs.) | | 0.00 | | | 1.80 |

There were no warrants outstanding as at December 31, 2020.

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15. Share Capital (Continued):

d) Share purchase options

The following is a summary of changes in share purchase options from January 1, 2021 to December 31, 2021:

| Expiry Date | Exercise Price \$ | Number of Options January 1, 2021 | Issued | Expired/ Cancelled | Number of Options December 31, 2021 |
|-----------------------------------|----------------------|--------------------------------------|-----------|-----------------------|--|
| February 1, 2021 | 0.05 | 500,000 | - | 500,000 | - |
| May 16, 2021 | 0.05 | 1,000,000 | - | 1,000,000 | - |
| August 15, 2022 | 0.05 | 1,000,000 | - | - | 1,000,000 |
| June 11, 2023 | 0.06 | - | 1,000,000 | - | 1,000,000 |
| October 20, 2023 | 0.065 | - | 500,000 | - | 500,000 |
| December 14, 2023 | 0.07 | - | 100,000 | - | 100,000 |
| May 16, 2024 | 0.05 | 1,498,960 | - | - | 1,498,960 |
| August 15, 2024 | 0.05 | 2,476,040 | - | - | 2,476,040 |
| January 31, 2026 | 0.05 | - | 500,000 | - | 500,000 |
| | | 6,475,000 | 2,100,000 | 1,500,000 | 7,075,000 |
| Wt. Average price | | 0.05 | | | 0.05 |
| Wt. Average remaining life (yrs.) | | 2.48 | | | 2.16 |

The following is a summary of changes in share purchase options from January 1, 2020 to December 31, 2020:

| Expiry Date | Exercise Price \$ | Number of Options January 1, 2020 | Issued | Expired/ Cancelled | Number of Options December 31, 2020 |
|-----------------------------------|----------------------|--------------------------------------|-----------|-----------------------|--|
| August 15, 2020 | 0.05 | 1,000,000 | - | 1,000,000 | - |
| February 1, 2021 | 0.05 | 500,000 | - | - | 500,000 |
| May 16, 2021 | 0.05 | 1,000,000 | - | - | 1,000,000 |
| August 15, 2022 | 0.05 | - | 1,000,000 | - | 1,000,000 |
| May 16, 2024 | 0.05 | 1,498,960 | - | - | 1,498,960 |
| August 15, 2024 | 0.05 | 2,476,040 | - | - | 2,476,040 |
| | | 6,475,000 | 1,000,000 | 1,000,000 | 6,475,000 |
| Wt. Average price | | 0.05 | | | 0.05 |
| Wt. Average remaining life (yrs.) | | 3.18 | | | 2.48 |

At the Company's 2020 Annual General Meeting held June 15, 2021 the shareholders approved a new Incentive Stock Option Plan to replace the previous share option plan with a 10% rolling plan whereby the aggregate number of Common Shares that may be reserved for issuance pursuant to options shall not exceed 10% of the issued and outstanding Common Shares of the Company at the time of the granting of options. The Board of Directors is of the view that the New Plan is required in order to provide incentive to the directors, management, employees and consultants of the Company to act in the best interest of the Company and contribute to the future growth and success of the Company.

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15. Share Capital (Continued):

d) Share purchase options (continued)

Fiscal 2021

On February 2, 2021, the Company granted stock options to the CFO of the Company to purchase an aggregate of 500,000 common shares in the capital of the Company. The options were granted at an exercise price of \$0.05 per common share expiring on January 31, 2026. The vesting period was waived. These options were issued to replace expired options.

On June 11, 2021, the Company granted 1,000,000 stock options to a consultant of the Company. The options were granted at an exercise price of \$0.06 per common share expiring on June 11, 2023. The vesting period was waived. These options were issued to replace expired options.

On October 21, 2021, the Company granted 500,000 stock options to a consultant of the Company. The options were granted at an exercise price of \$0.065 per common share expiring October 20, 2023. The vesting period was waived.

On December 15, 2021, the Company granted 100,000 stock options to a consultant of the Company. The options were granted at an exercise price of \$0.07 per common share expiring December 14, 2023. The vesting period was waived.

Fiscal 2020

On August 16, 2020, the Company granted 1,000,000 stock options to a consultant of the Company. The options were granted at an exercise price of \$0.05 per common share expiring August 15, 2022. The vesting period was waived. These options were issued to replace expired options.

Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of comprehensive loss. This amount was recorded as the share-based reserves on the consolidated statement of financial position.

The following is a summary of stock options outstanding as at December 31, 2021:

| Exercise Price | Options outstanding | Remaining Contractual life [years] | Options vested |
|----------------|---------------------|---------------------------------------|------------------|
| 0.05 | 1,000,000 | 0.63 | 1,000,000 |
| 0.06 | 1,000,000 | 1.46 | 1,000,000 |
| 0.065 | 500,000 | 1.79 | 500,000 |
| 0.07 | 100,000 | 1.96 | 100,000 |
| 0.05 | 1,498,960 | 2.38 | 1,498,960 |
| 0.05 | 2,476,040 | 2.63 | 2,476,040 |
| 0.05 | 500,000 | 4.00 | 500,000 |
| | <u>7,075,000</u> | | <u>7,075,000</u> |

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15. Share Capital (Continued):

d) Share purchase options (continued)

The fair value of the stock options is estimated using the Black-Scholes model with weighted average assumption as follows:

| | Dec. 31, 2021 | Dec. 31, 2020 |
|-----------------------------------|-------------------|---------------|
| Risk free interest rate | 0.31 % - 0.95% | 0.29% |
| Expected life of options in years | 2 - 5 years | 2 years |
| Expected volatility | 178.06% - 219.06% | 193.039% |
| Dividend per share | \$Nil | \$Nil |

e) Broker's warrants

The following is a summary of changes in broker's warrants from January 1, 2021 to December 31, 2021:

| Expiry Date | Exercise Price \$ | Number of Warrants January 1, 2021 | Issued | Expired/ Cancelled | Number of Warrants December 31, 2021 |
|-----------------------------------|----------------------|---------------------------------------|--------|-----------------------|---|
| October 19, 2021 | 0.10 | - | 24,000 | - | 24,000 |
| | | - | 24,000 | - | 24,000 |
| Wt. Average price | | 0.00 | | | 0.10 |
| Wt. Average remaining life (yrs.) | | 0.00 | | | 0.80 |

There were no broker's warrants outstanding as at December 31, 2020.

16. Share-based Reserves:

The continuity is as follows:

| | 2021 | 2020 |
|------------------------------------|--------------|--------------|
| Balance at beginning of the period | \$ 1,827,111 | \$ 1,785,111 |
| Share-based payments | 105,346 | 42,000 |
| Balance at end of the period | \$ 1,932,457 | \$ 1,827,111 |

For the year ending December 31, 2021, \$105,346 (2020- \$42,000) in share-based payments was recognized in the statement of comprehensive loss for options granted to adjust share-based compensation to fair value.

17. Capital Management:

The Company manages its capital structure and makes adjustments to it based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position and capital stock, warrant, and option components of its shareholders' equity.

The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through a combination of equity capital raised by way of issuing equity instruments and external debt. In order to maintain or adjust the capital structure, the Company may attempt to raise additional financing through the issuance of new equity instruments, the exercise of outstanding common share purchase warrants and stock options. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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17. Capital Management (Continued):

There were no changes in the Company's approach to capital management during the year ending December 31, 2021. The Company is not subject to externally imposed capital requirements.

18. Financial Risk Factors:

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The Company does not enter into or trade financial instruments including derivative financial instruments, for speculative purposes.

a) Credit risk

Credit is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company is of the opinion that credit risk is currently minimal.

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 manages its liquidity by ensuring there is sufficient capital to meet short and long-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company also strives to maintain sufficient financial liquidity at all times in order to participate in investment opportunities as they arise, as well as to withstand sudden adverse changes in economic circumstances.

The following table details the Company's expected remaining contractual maturities for its financial liabilities at December 31, 2021. The table used is based on the undiscounted cash flows of financial liabilities based on the earlier date on which the Company can be required to satisfy the liabilities.

| As at December 31, 2021 | 6 months or less | 6 to 12 months | 1 to 2 years | Over 2 years | Total |
|--|---------------------|-------------------|--------------|-----------------|--------------|
| Accounts payable and accrued liabilities, and provisions | \$ 694,803 | \$ - | \$ - | \$ - | \$ 694,803 |
| Mortgage payable | 8,616 | - | - | - | 8,616 |
| Loans payable | - | 796,141 | - | - | 796,141 |
| Debenture | - | - | 1,211,127 | - | 1,211,127 |
| | \$ 703,419 | \$ 796,141 | \$ 1,211,127 | \$ - | \$ 2,710,687 |

c) Interest rate risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. The Company currently has no assets or liabilities subject to fluctuating rates of interest and consequently, the Company is of the opinion that interest rate risk is currently nominal.

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19. Related Party Transactions:

In addition to balances and transactions described elsewhere in these consolidated financial statements, the Company had the following balances with officers and directors of the Company and companies with which officers or directors are associated:

| | Dec. 31, 2021 | Dec. 31, 2020 |
|---|--------------------------|--------------------------|
| Payable to companies controlled by the CEO | \$ 184,194 | \$ 177,893 |
| Payable to the CEO (expense reimbursements) | 14,733 | 14,042 |
| | \$ 198,927 | \$ 191,935 |

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. See Note 8.

In 2019, the Directors of the Company approved an interest rate of 6% per annum on up to \$600,000 borrowed from companies controlled by the Chief Executive Officer of the Company. During the year ended December 31, 2021, the Directors approved an increase in the borrowing amount up to \$700,000, at the same terms.

During the year ended December 31, 2021, \$58,500 (2020 - \$83,500), was advanced to the Company and \$42,814 (2020 - \$35,640) in accrued interest was recorded for the year ending December 31, 2021.

The following is a summary of the loans payable balance:

| | December 31, 2021 | December 31, 2020 |
|-------------------|------------------------------|------------------------------|
| Principal: | | |
| Private company 1 | \$ 634,500 | \$ 576,000 |
| Private company 2 | 35,000 | 35,000 |
| | 669,500 | 611,000 |
| Accrued interest: | | |
| Private company 1 | 122,538 | 81,936 |
| Private company 2 | 4,103 | 1,891 |
| | 126,641 | 83,827 |
| | \$ 796,141 | \$ 694,827 |

During 2019, the Company agreed to reimburse a company controlled by a director of the Company for legal costs associated with the Company's dispute with Dentons and former directors up to \$280,000. As at December 31, 2021, \$152,168 (2020 - \$152,168) is included in amounts due to related parties (Note 8), \$97,500 (2020 - \$97,500) is included in provisions (Note 9) and \$242,878 has been recognized as professional fees.

During the period, the Company incurred the following transactions with officers of the Company and companies with which officers are associated:

| | Dec. 31, 2021 | Dec. 31, 2020 |
|---------------------------|--------------------------|--------------------------|
| Rent | \$ 6,000 | \$ 6,000 |
| Interest on debenture | 68,554 | 64,674 |
| Interest on loans payable | 42,814 | 35,640 |
| Share-based payments | 24,646 | - |
| | \$ 142,014 | \$ 106,314 |

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19. Related Party Transactions (Continued):

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by the related parties. Also see notes 10 and 12.

20. Non-cash Transactions:

During the year ending December 31, the Company incurred the following non-cash transactions that are not reflected in the statement of cash flows:

| | Year Ending | |
|---|--------------------------|--------------------------|
| | Dec. 31, 2021 | Dec. 30, 2020 |
| Depreciation included within exploration and evaluation assets | \$ 2,747 | \$ 2,867 |
| Exploration and evaluation expenditures included in accounts payable and accrued liabilities. | 135,116 | 200,367 |
| Share issue costs included in accounts payable and accrued liabilities | 4,116 | - |
| METC receivable included within exploration and evaluation assets | \$ - | \$ 75,261 |

21. Additional Information:

On August 28, 2018, Dentons Canada filed a Notice of Civil Claim in the Supreme Court of British Columbia seeking judgement against the Company in the amount of \$227,837 in respect of outstanding invoices for legal services. On September 27, 2018, the Company filed a Response to Civil Claim and a Counterclaim against Dentons Canada (“Dentons”) and one of its partners seeking damages for breaches of duty. On November 1, 2019, the Company received a settlement proposal from Denton’s, which it rejected. On January 9, 2020, the Company sent a settlement proposal to Denton’s and a response has not been received. At December 31, 2020, the Company wrote off \$251,974 in accounts payable of which \$207,647 was payable to Dentons.

22. Commitment:

Funds raised through the issuance of flow-through common shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

On October 18, 2021, the Company issued 10,098,000 common shares on a flow-through basis at \$0.05 per flow-through share for gross proceeds of \$504,900 (Note 15). As at December 31, 2021, the Company had spent \$399,629 of the flow-through funds. As a result, the Company is required to spend \$105,271 on qualified Canadian mineral exploration expenditures during the year ended December 31, 2022.