



Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Honey Badger Silver Inc.

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the accompanying consolidated financial statements have been prepared on going concern basis which contemplates the realization of assets and liquidation of liabilities in the normal course of operations for the next fiscal year. The Company is currently in the exploration stage and has not commenced commercial operations. For the year ended December 31, 2021, the Company had a loss of \$7,246,578 and an accumulated deficit of \$20,368,507. As stated in Note 2, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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



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

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

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

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

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

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

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

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

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

May 2, 2022

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at		December 31, 2021	December 31, 2020
	Notes	\$	\$
Assets			
Current assets			
Cash and cash equivalents	6	2,143,956	235,650
Marketable securities	7	114,148	423,929
Taxes and other receivables		152,402	66,075
Prepaid expenses		30,531	2,555
Total Assets		2,441,037	728,209
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8,12	357,992	110,291
Flow-through share premium liability	9	27,450	—
Flow-through provision	10	298,031	298,031
Total Liabilities		683,473	408,322
Shareholders' Equity			
Share capital	11	17,056,261	9,957,368
Warrants	11	1,086,664	635,247
Contributed surplus	11	3,983,146	2,849,201
Accumulated deficit		(20,368,507)	(13,121,929)
Total Shareholders' Equity		1,757,564	319,887
Total Liabilities and Shareholders' Equity		2,441,037	728,209

Nature of Operations and Going Concern (notes 1,2)

Commitments (note 14)

Subsequent event (note 17)

Approved on behalf of the Board of Directors:

(Signed) "Chad Williams" (Signed) "Brian Briggs"
Director Director

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

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

		For the years ended December 31,	
	Notes	2021	2020
		\$	\$
Expenses			
Exploration expenditures	5	4,902,140	52,269
Management fees	12	527,601	270,286
Investor relations and business development		313,683	6,888
Professional and consulting fees	12	224,515	271,042
Regulatory fees and transfer agent		107,583	32,448
General and administrative		60,386	39,932
Part XII.6 tax and penalties	10	—	33,000
		6,135,908	705,865
Share-based compensation	11	861,889	225,000
Loss before undernoted items:		(6,997,797)	(930,865)
Unrealized gain (loss) on marketable securities	7	(309,781)	193,599
Gain on sale of marketable securities	7	—	35,500
Gain on settlement of accounts payable		—	2,000
Gain on flow-through premium	9	56,640	—
Other income	6,7	4,360	320,000
Loss and comprehensive loss		(7,246,578)	(379,766)
Loss per share - basic and diluted		\$(0.05)	\$(0.00)
Weighted average number of common shares outstanding – basic and diluted		152,048,513	85,050,771

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

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2021	2020
	\$	\$
Operating activities		
Loss for the year	(7,246,578)	(379,766)
Items not affecting cash:		
Shares issued for properties	4,601,858	—
Gain on flow-through premium	(56,640)	—
Share-based compensation	861,889	225,000
Unrealized gain (loss) on fair value of marketable securities	309,781	(193,599)
Marketable securities received for sale of data	—	(320,000)
Gain on sale of marketable securities	—	(35,500)
Part XII.6 tax and penalties	—	33,000
Net change in non-cash working capital items:		
Taxes and other receivables	(27,976)	42,050
Prepaid expenses	(86,327)	3,360
Accounts payable and accrued liabilities	247,701	(167,984)
Net cash used in operating activities	(1,396,292)	(793,439)
Financing activities		
Proceeds from private placement	3,252,270	500,000
Share issue costs	(95,497)	(23,149)
Proceeds from the exercise of warrants	97,750	111,510
Proceeds from the exercise of options	50,075	—
Net cash provided by financing activities	3,304,598	588,361
Investing activities		
Proceeds from sale of marketable securities	—	125,170
Net cash provided by investing activities	—	125,170
Change in cash and cash equivalents	1,908,306	(79,908)
Cash and cash equivalents, beginning of year	235,650	315,558
Cash and cash equivalents, end of year	2,143,956	235,650

Supplemental cash flow information:

Finder warrants issued in connection with private placements (note 11)	\$1,864	\$—
Income tax paid	\$—	\$—
Interest paid	\$—	\$—

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



Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

	Share Capital		Reserves		Shareholder Equity	
	Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total
	#	\$	\$	\$	\$	\$
Balance at December 31, 2019	80,370,824	9,540,406	746,172	2,341,877	(12,742,163)	(113,708)
Shares issued for private placement	12,500,000	500,000	—	—	—	500,000
Share issue costs	—	(23,149)	—	—	—	(23,149)
Warrants issued	—	(232,704)	232,704	—	—	—
Exercise of warrants	1,982,400	172,815	(61,305)	—	—	111,510
Expiry of warrants	—	—	(282,324)	282,324	—	—
Share-based compensation	—	—	—	225,000	—	225,000
Loss for the year	—	—	—	—	(379,766)	(379,766)
Balance at December 31, 2020	94,853,224	9,957,368	635,247	2,849,201	(13,121,929)	319,887
Shares issued for private placement	44,538,941	3,252,270	—	—	—	3,252,270
Share issue costs	—	(95,497)	—	—	—	(95,497)
Shares issued for claims acquisitions	35,908,224	4,601,858	—	—	—	4,601,858
Warrants issued	—	(858,443)	858,443	—	—	—
Expiry of warrants	—	—	(368,883)	368,883	—	—
Exercise of warrants	688,250	88,218	(38,143)	—	—	50,075
Exercise of options	1,700,000	194,577	—	(96,827)	—	97,750
Deferred flow-through premium	—	(84,090)	—	—	—	(84,090)
Share-based compensation	—	—	—	861,889	—	861,889
Loss for the year	—	—	—	—	(7,246,578)	(7,246,578)
Balance at December 31, 2021	177,688,639	17,056,261	1,086,664	3,983,146	(20,368,507)	1,757,564

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



Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

1. Nature of Operations

Honey Badger Silver Inc. ("Honey Badger" or the "Company") was incorporated in Ontario in 1992 and is engaged in the identification and acquisition of silver and other minerals properties. The Company's head office is located at Ste. 2704, 401 Bay St., Toronto, Ontario M5H 2Y4. The Company is traded on the TSX Venture Exchange ("TSXV") under the symbol "TUF" and on the OTCQB Exchange in the United States under the symbol "HBEIF".

2. Going Concern

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

The accompanying consolidated financial statements have been prepared on going concern basis which contemplates the realization of assets and liquidation of liabilities in the normal course of operations for the next fiscal year. The Company is currently in the exploration stage and has not commenced commercial operations. For the year ended December 31, 2021, the Company had a loss of \$7,246,578 (2020 – \$379,766) and an accumulated deficit of \$20,368,507 (2020 - \$13,121,929).

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, and political uncertainty.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recovery of amounts comprising the exploration and evaluation assets is dependent upon the establishment and confirmation of recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of any such reserves, the potential future profitability of any such reserves or alternatively, the disposition, on an advantageous basis, of the Company's interests in the exploration and evaluation assets.

Working capital at December 31, 2021 is \$1,757,564 (December 31, 2020 – \$319,887). Management believes it has sufficient funding to meet the ongoing general and administrative expenses incurred to maintain operations for the next 12 months. However, depending on exploration results and the Company's plans for future acquisitions, the Company may need to raise additional funds, through the issuance of equity or debt. Although the Company has been successful in raising funding to date there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. In the event the Company is unable to secure further financing, it may not be able to make additional acquisitions or advance exploration, therefore, for these reasons, there may exist material uncertainties that cast significant doubt on the ability of the Company to continue as a going concern.

Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

Novel Coronavirus ("COVID-19")

Since March 2020 there has been a continuing global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

Global stock markets have also experienced high volatility and significant movement. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. There is significant uncertainty surrounding COVID-19 and the extent and impact that it may have on our financial position and results, exploration activities, workers, partners, consultants, suppliers and on global financial markets is indeterminable at this time.

3. Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprise IFRSs, International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"s) and the former Standing Interpretations Committee ("SIC"s).

These consolidated financial statements were authorized for issue by the Board of Directors on April 28, 2022.

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries 606596 Alberta Ltd., The Thunder Bay Silver & Cobalt Corp. and 2815210 Ontario Limited, all of which have no assets in the current or prior year. 2815210 Ontario Limited was incorporated in Ontario on February 10, 2021. All intercompany balances and transactions have been eliminated.

Controls exist when the Company has the power, directly or indirectly to govern the financial and operating policies or an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

(d) Foreign currencies

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

(e) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents have maturities of three months or less at the date of acquisition. Interest earned is included in finance income on the statement of loss and comprehensive loss.

(f) Mineral properties and exploration expenditures

The Company expenses all costs relating to the acquisition and exploration of mineral claims. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations.

Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(g) Asset retirement obligation

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, provides guidance relating to asset retirement obligations. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and charged to expenses as an exploration cost, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2021 and 2020, the Company had no asset retirement obligations.

(h) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a gain on flow-through premium for the amount of tax reduction renounced to the shareholders.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. 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 Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

(i) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common shares and warrants reserve on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model. The fair value of the warrants upon issuance are reflected in the reserve for warrants account until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.

(j) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in loss and comprehensive loss depending on the item to which the adjustment relates.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(k) Share-based payment transactions

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

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

In situations where equity instruments are granted to non-employees and some or all goods and services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

In situations where shares are issued for acquisitions, the fair value of the shares is based on market value at the time of the issuance of shares.

(l) Loss per share

The Company presents the 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 period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(m) New standards not yet adopted by the Company

Future accounting policies

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

(n) Financial Instruments

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).



Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

- (i) Non-derivative financial assets and liabilities

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

- (a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and

- (b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. Marketable securities held in non-public companies without an active market are classified as non-current assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. This may occur when non-public company shares are received as payment for mineral property interests.

In such situations cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the investment shares, and in similar volumes. When, at future measurement dates fair value is still indeterminable, or impracticable, cost is used as the measure of fair value.

Cash and cash equivalents and reclamation deposits are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Other receivables are classified as financial assets at amortized cost.

Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

ii) Derivative financial assets

Warrants are classified as derivative financial assets and are recorded at FVTPL. Warrants without an active market that are received as attachments to common share units are valued at measurement date using a valuation technique, such as the Black-Scholes option pricing model, which is equal to the higher of the market value of the underlying security, less the exercise price of the warrant, or zero.

(ii) Other financial liabilities

The Company has the following other financial liabilities: accounts payable and accrued liabilities.

4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Judgments, estimates, and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

Going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 2 of the financial statements.

Deferred taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Deferred Flow-Through Premium Estimates

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the

Notes to consolidated financial statements

For the years ended December 31, 2021 and 2020

Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.

Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in note 8(c) of the financial statements.

5. Exploration and Evaluation Expenditures ("E&E")

Thunder Bay, Ontario Properties

The following table summarizes the cumulative E&E expenditures the Company has incurred on its Thunder Bay, Ontario properties to December 31, 2021:

Balance, December 31, 2019	\$2,867,416
Exploration and evaluation	52,269
Balance, December 31, 2020	\$2,919,685
Claims acquisition - for shares	77,245
Claims maintenance	67,061
Exploration and evaluation	22,675
Balance, December 31, 2021	\$3,086,666

Thunder Bay Silver & Cobalt Corp.

On June 7, 2018, the Company acquired Thunder Bay Silver & Cobalt Corp., a private company that holds certain mineral claims in the historic Thunder Bay Silver District ("Thunder Bay"). The property is subject to a 2.5% net smelter royalty ("NSR") which may be repurchased for \$1,500,000.

On January 8, 2021, the Company staked additional claims in Thunder Bay.

On July 20, 2021, the Company acquired an 80% interest in certain additional silver properties in Thunder Bay, from Romios Gold Resources ("Romios Gold"), for the issuance of 1,103,506 common shares, valued at \$77,245. The Company was also granted a right of refusal by Romios Gold on the remaining 20% interest.

Beaver Silver Property

On July 19, 2018, the Company entered into an option agreement to acquire up to a 100% interest in the Beaver Silver Property from Cairngorm Mines Ltd. Under the terms of the option agreement, the Company may exercise the option over a three-year period, by a) making cash payments totaling \$75,000,

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b) incurring exploration expenditures of \$750,000 over the option period and by c) issuing common shares with a market value of \$410,000 over the option period. Once the three conditions are met, the Optionor shall be granted a 2% NSR which may be repurchased by the Company for \$1,000,000. The Company is currently in default under the terms of the agreement. However, negotiations continue to enter into a new option agreement.

Yukon Silver Properties

On June 4, 2021, the Company acquired the rights, title and 100% interest in three advanced, silver-focused properties located in southeast and south-central Yukon, Canada (the "Acquisition"), from Strategic Metals Ltd. ("Strategic Metals"). The properties are comprised of Plata, Groundhog, and Hy. Consideration for 100% interest in the properties was the issuance of 34,804,718 common shares, valued at \$0.13 per common share, for a total value of \$4,524,613.

Balance, December 31, 2020	\$—
Claims acquisition – for shares	4,524,613
Exploration and evaluation	160,462
Community relations	15,000
Balance, December 31, 2021	\$4,700,075

Other Properties

LG Diamond Property, Quebec

The Company holds claims located in the James Bay Region of Quebec. The claims are subject to a 2% NSR to the vendor. One half, or 1%, of the NSR can be bought back for \$1,000,000 and the remaining 1% for \$2,000,000.

During the year ended December 31, 2021, the Company spent a further \$35,084 on technical consulting fees to evaluate a potential acquisition.

6. Cash and cash equivalents

As at December 31, 2021 and 2020, cash and cash equivalents were held as follows:

At December 31,	2021	2020
Cash deposits	\$629,666	\$225,650
Term deposits	1,514,290	10,000
	\$2,143,956	\$235,650

During the year ended December 31, 2021, the Company invested \$1,500,000 in an interest-bearing, redeemable, guaranteed investment certificate. Accrued interest income in the amount of \$4,290 has been recorded on the statement of profit and loss, as Other Income.

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7. Marketable Securities

On June 8, 2020, the Company received common shares of Blue Thunder Mining Inc. in consideration for the sale of exploration data valued at \$320,000.

The following sets out the changes to marketable securities during the years ended December 31, 2021 and 2020:

	Marketable securities
Balance – December 31, 2019	\$—
Marketable securities acquired for sale of asset	320,000
Unrealized gain on marketable securities	193,599
Gain on sale of marketable securities	35,500
Proceeds of Disposition	(125,170)
Balance – December 31, 2020	\$423,929
Unrealized loss on marketable securities	(309,781)
Balance – December 31, 2021	\$114,148

8. Accounts payable and accrued liabilities comprise the following:

	December 31, 2021	December 31, 2020
As at		
Accounts payable	\$323,712	\$46,227
Accrued liabilities	34,280	64,064
	\$357,992	\$110,291

9. Flow-through share premium and liability

The flow-through shares issued pursuant to the July 2021 FT Offering were issued at a premium to the then-market trade price, in recognition of the tax benefits accruing to the subscribers of the Offering. A liability of \$84,090 was recorded accordingly. During the year ended December 31, 2021, the Company incurred \$169,924 of qualified expenditures and a liability of \$56,640 was derecognized through income as a gain on the statement of profit and loss.

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Balance, December 31, 2020	\$—
Liability incurred on flow-through shares issued	84,090
Flow-through share premium recognized	(56,640)
Balance, December 31, 2021	\$27,450

10. Flow-through provision

Based on historical audits by the Canada Revenue Agency ("CRA"), it was determined that the Company had a shortfall on its previously renounced flow-through financings and has recorded a provision for shareholder indemnification.

The following table sets out the changes, if any, to the provision for the obligation to flow-through subscribers:

Balance-December 31, 2019	\$265,031
Part XII.6 tax and penalties	33,000
Balance-December 31, 2020 and 2021	\$298,031

11. Shareholders' equity

a) Common shares

The Company's authorized capital stock includes an unlimited number of common shares (issued 177,688,641 common shares) having no par value.

Private placements and other share issuances

On August 21, 2020, the Company completed a non-brokered private placement offering (the "2020 Offering") with the issuance of 12,500,000 units ("2020 Units") for total gross proceeds of \$500,000, or \$0.04 per 2020 Unit. Each 2020 Unit is comprised of one common share ("Common Share") of the Company and one Common Share purchase warrant (the "2020 Warrants"). Each 2020 Warrant is exercisable to acquire one Common Share at a price of \$0.05 per share, for a period of 24 months. A relative fair value of \$232,704 using the Black-Scholes pricing model was assigned to the Warrants.

- i. On March 18, 2021, the Company closed a non-brokered private placement that resulted in the issuance of 42,857,143 units ("March 2021 Units") for aggregate gross proceeds of \$3,000,000 (the "March 2021 Offering"). Each March 2021 Unit was priced at \$0.07 and consists of one Common Share in the capital of the Company and one-half of one Common Share purchase warrant (the "March 2021 Warrants"). Each whole March 2021 Warrant entitles the holder to acquire one Common Share at price of \$0.10 per share, for a period of three years. The Common Shares issued in the March 2021 Offering are subject to a statutory four months and one day hold period. A relative fair value of \$856,579 using the Black-Scholes pricing model was assigned to the 2021 Warrants.

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- ii. On June 8, 2021, the Company issued 34,804,718 Common Shares to Strategic Metals at \$0.13 per Common Share for a total value of \$4,524,613, to acquire the rights, title and interest in three silver-focused properties located in southeast and south-central Yukon, Canada.
- iii. On July 2, 2021, the Company closed a private placement that resulted in the issuance of 1,681,800 FT common shares of the Company (the "July 2021 FT Offering") at \$0.15 per share for gross proceeds of \$252,270. A total of 114,926 finders warrants were issued for the purchase of 114,926 Common Shares at \$0.15 per Common Share, for two years from closing. The Common Shares issued in the July 2021 Offering were subject to a statutory four months and one day hold period. In relation to the July 21 FT Offering, a flow-through liability of \$84,090 was recognized for the premium paid by the subscribers for the tax benefits attached to the Common Shares.
- iv. On July 26 2021, the Company issued 1,103,506 Common Shares valued at \$77,245 for the acquisition of certain properties situated in the Thunder Bay Silver District, from Romios Gold Resources Inc.
- v. During the year ended December 31, 2021, a total of 688,250 warrants and 1,700,000 stock options were exercised for cash proceeds of \$147,825, for the aggregate issuance of 2,388,250 common shares.

b) Reserve for warrants

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance to reserve for warrants, until expiration or exercise.

- i. In August 2020, the Company issued 12,500,000 Warrants, in connection with the 2020 Offering. The 2020 Warrants have an exercise price of \$0.05 and expire on August 21, 2022. A fair value of \$232,704 was assigned to the 2020 Warrants, using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 231%, and an expected life of 2 years.
- ii. On March 18, 2021, the Company issued 21,428,571 Warrants in connection with the March 2021 Offering. The March 2021 Warrants have an exercise price of \$0.10 and expire on March 19, 2024. A fair value of \$856,579 was assigned to the Warrants, using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.53%; volatility of 158.41%, share price of \$0.07 and an expected life of 3 years.
- iii. In relation to the July 2021 Offering, a total of 114,926 finder warrants were issued with an exercise price of \$0.15. The July 2021 finder warrants expire July 2, 2023. The fair value assigned for the 2021 finder warrants was \$1,864 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.48%; volatility of 135%, and an expected life of 2 years.
- iv. During the year ended December 31, 2021, 6,182,346 warrants expired unexercised. The fair value of \$368,883 was reclassified to contributed surplus.
- v. During the year ended December 31, 2021, 688,250 warrants were exercised for cash proceeds of \$50,075. The fair value of \$38,143 was reclassified to share capital.

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The following is the activity to reserve for warrants as at and during the years ended December 31, 2021 and 2020:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2019	18,375,077	\$0.11
Issued (i)	12,500,000	0.05
Exercised	(1,982,400)	0.06
Expired	(9,897,081)	0.09
Balance, December 31, 2020	18,995,596	\$0.08
Issued (ii)	21,428,571	0.10
Issued (iii)	114,926	0.15
Expired (iv)	(6,182,346)	(0.08)
Exercised (v)	(688,250)	(0.07)
Balance, December 31, 2021	33,668,497	\$0.08

The following table reflects the warrants issued and outstanding as at December 31, 2021:

Date of issue	Expiry date	Weighted average exercise price	Number of warrants	Remaining life (years)
August 21, 2020	August 21, 2022	\$0.05	12,125,000	0.64
July 2, 2021	July 2, 2023	\$0.15	114,926	1.50
March 18, 2021	March 18, 2024	\$0.10	21,428,571	2.21
		\$0.08	33,668,497	

c) Stock Options

The Company has a stock option plan (the “Plan”) pursuant to which the Company’s Board of Directors may grant incentive stock options to directors, officers, employees and consultants at the discretion of the Board of Directors. The exercise price of the options cannot be less than the closing price of the Company’s shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The Board, in accordance with applicable Exchange or other regulatory requirements, if any, will determine the vesting period. There is no minimum vesting period unless the optionee is engaged in investor relation activities. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares. The fair value of the share-based compensation is recognized as contributed surplus upon vesting.

i. On August 28, 2020, the Company granted 3,750,000 stock options to certain directors, employees, officers and consultants, at an exercise price of \$0.06 per common share. These five-year options vested immediately upon grant. The fair value assigned for the stock options was \$225,000 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 199%, and an expected life of 5 years.

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- ii. On February 11 and February 19, 2021, the Company granted an aggregate of 550,000 five-year options to directors, officers, employees and consultants; 250,000 of the stock options are exercisable at a price of \$0.08 per share and the remaining 300,000 stock options are exercisable at \$0.10. These options vested immediately upon grant. The fair value assigned for the stock options was \$43,489 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.49%; volatility of 135%, and an expected life of 5 years.
- iii. On March 23, 2021, the Company granted a total of 6,175,000 stock options to directors, officers, employees and consultants of the Company. The options are exercisable at a price of \$0.125 per share, for a period of five years from the date of grant. These options vested immediately upon grant. The fair value assigned for the stock options was \$636,833 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.95%; volatility of 131%, and an expected life of 5 years.
- iv. On August 3, 2021, the Company granted a total of 1,500,000 stock options to two newly appointed directors. The options are exercisable at a price of \$0.08 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was \$111,951 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.78%; volatility of 163%, and an expected life of 5 years. To December 31, 2021, a total of \$60,167 has been recorded as share-based compensation expense for the options vested to date.
- v. On October 28, 2021, the Company granted a total of 750,000 stock options to a director of the Company. The options are exercisable at a price of \$0.065 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was \$38,024 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.42%; volatility of 127.41%, and an expected life of 5 years. To December 31, 2021, a total of \$16,008 has been recorded as share-based compensation expense for the options vested to date.
- vi. On November 1, 2021, the Company granted a total of 100,000 stock option to a consultant. The options fully vest on February 1, 2022. The options are exercisable at a price of \$0.07 per share for a period of three years from the date of grant. The fair value assigned to these stock options was \$5,696 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.10%; volatility of 151.55%, and an expected life of 5 years. To December 31, 2021, a total of \$3,715 has been recorded as share-based compensation expense for the options vested to date.
- vii. On December 30, 2021, the Company granted a total of 4,809,800 stock options to directors, officers, employees, and consultants of the Company. The options are exercisable at a price of \$0.075 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was \$303,784 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest

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rate of 1.28%; volatility of 124.77%, and an expected life of 5 years. To December 31, 2021, a total of \$101,677 has been recorded as share-based compensation expense for the options vested to date.

viii. During the year ended December 31, 2021, 1,700,000 options were exercised for cash proceeds of \$97,750 and the fair value of \$96,827 was reclassified to share capital.

ix. A total of 1,300,000 options expired for employees no longer working for or engaged by the Company.

The following is the stock option activity of the Company as at and during the years ended December 31, 2021 and 2020:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2019	5,855,000	\$0.08
Granted (i)	3,750,000	0.06
Expired	(3,030,000)	0.05
Balance, December 31, 2020	6,575,000	\$0.06
Granted (ii) to (vii)	13,884,800	0.10
Expired	(1,300,000)	(0.10)
Exercised	(1,700,000)	0.06
Balance, December 31, 2021	17,459,800	\$0.09

The following table reflects the stock options outstanding as of December 31, 2021:

Outstanding options	Options exercisable	Exercise price	Expiry date	Weighted average life (years)
675,000	675,000	\$0.10	August 20, 2023	1.64
100,000	—	\$0.07	November 1, 2024	2.84
2,900,000	2,900,000	\$0.06	August 28, 2025	3.66
250,000	250,000	\$0.08	February 11, 2026	4.12
300,000	300,000	\$0.10	February 19, 2026	4.12
6,175,000	6,175,000	\$0.125	March 23, 2026	4.22
1,500,000	500,000	\$0.08	August 3, 2026	4.59
750,000	250,000	\$0.065	October 28, 2026	4.82
4,809,800	1,603,267	\$0.075	December 30, 2026	5.00
17,459,800	12,653,267	\$0.09		

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12. Related party transactions

Related parties as defined by IAS 24 - *Related Party Disclosures* include members of the Board of Directors, Key Management Personnel, and any companies controlled by these individuals. Key Management Personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company.

- i. During the years ended December 31, 2021, and 2020, the Company entered the following transactions with related parties:
 - a) A corporation controlled by an Executive officer received cash compensation of \$280,000 (2020 - \$45,385).
 - b) A company of which a director is a minority interest shareholder, billed the Company \$112,848 (2020 - \$nil) for technical fees and expenses.
 - c) Effective February 1, 2021, the Company retained Grove Corporate Services Ltd. ("Grove") to provide accounting, governance and administrative services, including that provided by a new Chief Financial Officer ("CFO") and Corporate Secretary. Grove charges the Company \$7,000 per month plus HST for the services and charged a total of \$77,000 to the Company, for services rendered in fiscal 2021.
 - d) On June 4, 2021, the Company acquired 100% of right, title and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada, from Strategic Metals Ltd. ("Strategic"). A director of the Company is also Chief Executive Officer, President, and a director of Strategic.
- ii. Compensation for key management personnel of the Company was as follows:

	2021	2020
Short-term benefits ^{(1) (2)}	\$683,672	\$290,714
Share-based payments	686,825	189,000
	\$1,370,497	\$479,714

(1) Included in salaries, consulting fees and compensation allocation to exploration expenditures.

(2) Includes severance payment of \$113,424 (2020 - \$22,268) paid to a former CEO.

At December 31, 2021, a total of \$174,737 (\$22,373) is included in accounts payable for unpaid management and consulting fees and E&E. These transactions were conducted in the normal course of operations.

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13. Income taxes

The reconciliation of income tax provision completed at statutory rates to the reported income tax provision is as follows:

Years ended December 31,	2021	2020
Loss for the year	\$(7,246,578)	\$(379,766)
Income tax recovery at statutory rates	(1,957,000)	(103,000)
Permanent difference	257,000	(1,000)
Impact of flow through shares	68,000	—
Share issue costs	(26,000)	(6,000)
Change in unrecognized deductible temporary differences	1,636,000	110,000
Adjustment to prior years provision versus statutory tax returns	22,000	—
Income tax expense (recovery)	\$—	\$—

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

	2021		2020	
	\$		\$	
Mineral properties	8,396,000	no expiry	4,099,000	no expiry
Investment tax credit	37,000	2035	37,000	2035
Property and equipment	1,000	no expiry	1,000	no expiry
Share issue costs	118,000	2040 to 2045	87,000	2040 to 2044
Allowable capital losses	242,000	no expiry	225,000	no expiry
Marketable securities	210,000	no expiry	(100,000)	no expiry
Non-capital losses available for future periods	5,582,000	2026 to 2041	4,017,000	2026 to 2040

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

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14. Commitments

- i. Effective January 25, 2021, the Company engaged Chad Williams to serve as Executive Chairman of the Company. His base fee salary is \$25,000 per month and he is eligible to participate in the Company's stock option plan. Certain success fees may also be payable, at the discretion of the Board of Directors. Early termination of the contract and/or a change of control transaction may result in an additional compensation payout of up to 24 months base salary fees plus bonus fees.
- ii. Flow-through Expenditures Commitment
The Company complete flow-through share financings that involve a commitment to incur Canadian Exploration Expenditures ("CEE") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. At December 31 2021, the Company is committed to incur \$82,346 of CEE prior to December 31, 2022.

15. Capital management

There were no changes in the Company's approach to capital management during the years ended December 31, 2021 and 2020.

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due, and to maximize shareholder return. The Company's operations to date have been funded by issuing equity.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk. See note 17 – *Financial Risk Management*.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its asset acquisitions, exploration activities and administrative costs. Management continues to assess the merits of acquiring mineral-based assets and mineral properties on an ongoing basis and may seek to acquire new assets and/or properties or to increase ownership interests if it believes there is sufficient economic potential.

The Company manages the capital structure consisting of shareholders' equity on an ongoing basis and makes adjustments in response to changes in economic conditions and risk characteristics of its underlying assets. Adjustments to the Company capital structure may involve: the issuance of new shares, issuance of new debt, the acquisition or disposition of assets, or adjustments to the amounts held in cash and cash equivalents. The Company is not subject to any externally imposed capital requirements.

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16. Financial Instruments and Risk Management

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

Fair values

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. prices) or indirectly (derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2021 and 2020, the Company had the following financial instruments measured at historic cost.

Categories of Financial Instruments	December 31, 2021	December 31, 2020
Financial Assets—amortized cost		
Cash	\$2,143,956	\$235,850
Accounts receivable and prepaids	152,402	66,075
Marketable Securities	114,148	423,929
Financial Liabilities—amortized cost		
Accounts payable and accrued liabilities	\$357,993	\$110,291
Flow-through share premium liability	27,450	—

The fair values of all the Company's financial instruments approximate the carrying value due to the short-term nature of the financial instruments. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and price risk).

Risk management is carried out by the Company's management team with oversight of these risks by the Company's Board of Directors.

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(i) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with first tier Canadian banks and financial institutions. The Company's receivables related to sales taxes have negligible counterparty default risk. The Company's receivables related to companies related by common management are subject to counterparty default risk.

(ii) Liquidity risk

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company had a balance of cash and cash equivalents of \$2,143,956 (2020 - \$235,650) to settle current accounts payable and accrued liabilities of \$357,992 (2020 - \$110,291). While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available. All of the Company's financial liabilities have contractual maturities of less than 30 days.

(iii) Market risk

The Company's market risk arises from changes in interest rates, foreign exchange rates, and commodity prices that could have an impact on profit or loss. This includes:

- Interest rate risk is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.
- Foreign exchange rates risk is the sensitivity of the fair value of the future cash flows of financial instruments to changes in foreign currency exchange rates. In general, the Company does not have any financial assets or liabilities that are subject to variable foreign exchange rates; however, certain payments are made to business development consultants, in United States dollars (USD). These payments comprise a small percentage of the Company's overall expenditures and therefore Management believes the Company's foreign exchange rates risk is minimal.
- Commodity price risk is the sensitivity of the fair value or of the future cash flows of mineral-based assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the acquisition of, disposal of, or exploration of its mineral assets.

17. Subsequent Event

Subsequent to December 31, 2021, the Company acquired of a 100% interest in the Clear Lake deposit in the Whitehorse Mining District of the Yukon, for a total consideration of \$250,000 in cash, subject to a 1% net smelter return royalty ("NSR") on all metals other than silver.