Churchill Resources

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2021

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed consolidated interim financial statements by an entity's auditor.

The accompanying unaudited condensed consolidated interim financial statements Churchill Resources Inc. for the three months ended November 30, 2021 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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CHURCHILL RESOURCES INC.

Condensed Consolidated Interim Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)

As at	Note(s)	November 30, 2021 $	August 31, 2021 $
ASSETS			
Current assets			
Cash		1,503,431	2,715,709
Amounts receivable		246,150	89,408
Prepaid expenses	3	188,900	115,269
		1,938,481	**2,920,386**
Non-current assets			
Equipment	4	23,785	27,746
Exploration and evaluation assets	5	900,576	876,776
		924,361	**904,522**
TOTAL ASSETS		**2,862,842**	**3,824,908**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	468,082	419,748
Flow through shares premium liability	9	328,675	500,000
Current portion of lease obligation	6	18,266	16,076
		815,023	**935,824**
Long term liabilities			
Lease obligation	6	7,668	13,670
TOTAL LIABILITIES		**822,691**	**949,494**
SHAREHOLDERS' EQUITY			
Share capital	7	8,568,020	8,507,960
Obligation to issue shares	7	-	5,000
Warrants reserve	7	38,946	38,946
Stock options reserve	7	453,360	412,569
Accumulated deficit		(7,020,175)	(6,089,061)
TOTAL SHAREHOLDERS' EQUITY		**2,040,151**	**2,875,414**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,862,842**	**3,824,908**

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These unaudited condensed consolidated interim financial statements were approved for issue by the directors of the Company and signed on its behalf by:

/s/ Paul Sobie Director **/s/ William Fisher Director**

(Expressed in Canadian Dollars)

	Note(s)	For the three months ended November 30, 2021 $	November 30, 2020 $
Expenses			
Consulting fees		22,500	-
Depreciation	4	3,961	3,894
Exploration and evaluation	5	838,361	1,960
General and administrative costs		8,253	736
Professional fees	8	51,847	18,950
Salaries and benefits	8	30,246	1,150
Share-based compensation	7	54,170	-
Shareholder information and investor relations		87,804	-
		(1,097,142)	**(26,690)**
Other income (expenses)			
Accretion interest of lease obligation	6	(808)	(1,229)
Foreign exchange loss		(60)	-
Interest income		332	-
Other income	9	171,325	120
Penalties and interest on flow-through shares		(4,761)	-
		166,028	**(1,109)**
Total loss and comprehensive loss		**(931,114)**	**(27,799)**
Basic and diluted loss per share for the period attributable to common shareholders		(0.05)	(0.00)
Weighted average number of common shares outstanding			
- basic and diluted		18,918,541	19,242,633

(Expressed in Canadian Dollars)

	Note(s)	Share capital		Share subscription received	Obligation to issue shares	Warrants reserve	Stock options reserve	Accumulated deficit	Total
		Number of shares	Amount						
			$	$	$	$	$	$	$
Balance as at August 31, 2021		**43,354,822**	**8,507,960**	**-**	**5,000**	**38,946**	**412,569**	**(6,089,061)**	**2,875,414**
Shares issued for cash - stock option exercise	7	105,181	17,881	-	-	-	-	-	**17,881**
Shares issued for exploration and evaluation assets	5, 7	102,544	28,800	-	(5,000)	-	-	-	**23,800**
Reclassification of grant-date fair value on exercise of stock options	7	-	13,379	-	-	-	(13,379)	-	**-**
Share-based payments	7	-	-	-	-	-	54,170	-	**54,170**
Net loss for the period		-	-	-	-	-	-	(931,114)	**(931,114)**
Balance as at November 30, 2021		**43,562,547**	**8,568,020**	**-**	**-**	**38,946**	**453,360**	**(7,020,175)**	**2,040,151**
Balance as at August 31, 2020		**19,164,856**	**2,638,711**	**-**	**-**	**-**	**323,373**	**(2,173,158)**	**788,926**
Share subscriptions received in advance		-	-	25,000	-	-	-	-	**25,000**
Shares issued for debt settlement		471,848	117,962	-	-	-	-	-	**117,962**
Net loss for the period		-	-	-	-	-	-	(27,799)	**(27,799)**
Balance as at November 30, 2020		**19,636,704**	**2,756,673**	**25,000**	**-**	**-**	**323,373**	**(2,200,957)**	**904,089**

(Expressed in Canadian Dollars)

		For the three months ended	
		November 30, 2021	November 30, 2020
	Note(s)	$	$
Cash flows from OPERATING ACTIVITIES			
Net loss for the period		(931,114)	(27,799)
Adjustments for items not affecting cash:			
Accretion interest of lease obligation	6	808	1,229
Depreciation	4	3,961	3,894
Other income	9	(171,325)	(120)
Share-based payments	7	54,170	-
Net changes in non-cash working capital items			
Amounts receivable		(156,742)	246
Prepaid expenses		(73,631)	(4,443)
Accounts payable and accrued liabilities		48,334	22,018
Cash flow used in operating activities		**(1,225,539)**	**(4,975)**
FINANCING ACTIVITIES			
Lease payments	6	(4,620)	(4,500)
Shares issued for cash, net of share issue costs	7	17,881	-
Subscriptions received in advance		-	25,000
Cash flow from financing activities		**13,261**	**20,500**
Increase (decrease) in cash		**(1,212,278)**	**15,525**
Cash, beginning of period		**2,715,709**	**154**
Cash, end of period		**1,503,431**	**15,679**
Supplementary cash flow information			
Reclassification of grant-date fair value on exercise of stock options from reserves to share capital	7	13,379	-
Reclassification of the current portion of lease obligation	6	2,190	14,353
Shares issued for debt settlement	7	-	117,962
Shares issued for exploration and evaluation assets	5, 7	28,800	-
Cash paid during the period for interest		-	-
Cash paid during the period for income taxes		-	-

1. NATURE AND CONTINUANCE OF OPERATIONS

Churchill Resources Inc. ("CRI" or the "Company") was incorporated under the Business Corporations Act of Ontario on April 4, 2017. The Company is listed on the TSX Venture Exchange (the "Exchange") under the symbol "CRI". The Company's registered office is located at Suite 505 133 Richmond Street West, Toronto, Ontario, M5H 2L3 and the records office is located at 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario, M5H 3C2.

At the date of these consolidated financial statements, the Company has not identified a known body of commercial grade minerals on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These unaudited condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going concern depends upon its ability to raise adequate financing and to develop profitable operations. As of November 30, 2021, the Company had working capital of $1,123,458 (August 31, 2021 – $1,984,562) and an accumulated deficit of $7,020,175 (August 31, 2021 – $6,089,061). 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. These unaudited condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements of the Company for the three months ended November 30, 2021 were approved by the Board of Directors on January 31, 2022.

Statement of compliance to International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

Basis of presentation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended August 31, 2021.

New accounting standards

There were no new or amended IFRS pronouncements effective September 1, 2021 that impacted these condensed consolidated interim financial statements.

3. PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract.

During the year ended August 31, 2021, the Company entered into an arms-length agreement with a company for geological consulting services for Belly Bay Property regarding the Water Permit from the Nunavut Water Board (Note 5). The Company paid $280,000 in consideration for the consulting services. These amounts were initially classified as prepaid expenses and will be expensed when the services are provided. During the three months ended November 30, 2021, $47,803 was charged to the statement of loss and comprehensive loss as exploration and evaluation expenses. As of November 30, 2021, $58,067 remains in prepaid expenses as vendor deposits (August 31, 2021 – $105,870).

4. EQUIPMENT

	Computer equipment	Right-of-use asset	Total
	$	$	$
Cost			
As at August 31, 2021	825	46,733	**47,558**
As at November 30, 2021	**825**	**46,733**	**47,558**
Depreciation			
As at August 31, 2021	(340)	(19,472)	**(19,812)**
Charged for the period	(67)	(3,894)	**(3,961)**
As at November 30, 2021	**(407)**	**(23,366)**	**(23,773)**
Net book value			
As at August 31, 2021	**485**	**27,261**	**27,746**
As at November 30, 2021	**418**	**23,367**	**23,785**

The Company’s ROU asset relates to an office lease and is being depreciated over its 3 years contractual term.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Taylor Brook $	Florence Lake $	Others $	Total $
Balance as of August 31, 2021	**641,785**	**233,571**	**1,420**	**876,776**
Acquisition costs				
- Common shares	23,800	-	-	**23,800**
Balance as of November 30, 2021	**665,585**	**233,571**	**1,420**	**900,576**

Title to exploration and evaluation assets 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 exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets, and, to the best of its knowledge, title to all of its properties, are properly registered and in good standing.

Pelly Bay Property, Nunavut

The Pelly Bay Property is located in central Nunavut, Canada. The Company has a 100% interest in all claims of the Pelly Bay Property.

The Pelly Bay Property claims are currently suspended as per Nunavut Mining Regulations policies as the Company awaits the approval of the Water Permit from the Nunavut Water Board. As the Company has not received the approval of the Water Permit from the Nunavut Water Board, during the year ended August 31, 2021, the Company decided to impair the evaluation and exploration assets by $407,144 to a nominal amount of $1. The Impairment is based on guidance outlined in IFRS 6, Exploration for and Evaluation of Mineral Resources and IAS 36, Impairment of Assets.

White River Property, Northern Ontario

On February 9, 2017, the Company entered into an earn-in agreement with the Vendors on the White River property ("White River"). The original property totaled 12 mining claims which the Company increased to 72 legacy claims through physical staking programs in 2017 which were converted in 2019 to 970 Mining Lands Administration System ("MLAS") claim cells. During 2019, the Company was able to further increase the size of the property by map staking 409 new MLAS claim cells under CDC's name.

Pursuant to the agreement, the Company can acquire up to a 100% interest in White River by making the following payments:

- Upon signing the agreement: $40,000 cash (paid)
- Upon regulatory approval: 350,000 common shares (issued; fair value of $87,500)
- On or before February 9, 2018: $30,000 cash (paid) and 500,000 common shares (issued; fair value of $125,000)
- On or before February 9, 2019: $30,000 cash (paid) and 500,000 common shares (issued; fair value of $125,000)
- On or before February 9, 2020: $30,000 cash (paid) and 500,000 common shares (issued; fair value of $125,000)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

White River Property, Northern Ontario (continued)

- On or before February 9, 2021: $30,000 cash (paid) and
500,000 common shares (issued; fair value of $125,000)

- On or before February 9, 2022: $50,000 cash and 500,000 common shares

The Company is also required to incur a minimum of $1,000,000 in exploration work on the White River by February 9, 2024, as amended on May 18, 2021, of which $72,000 is required to be incurred by February, 2018 (incurred). As of February 28, 2021, the Company incurred qualified exploration expenditures of $642,475 on the White River Property such that all claims are in good standing.

The Vendors will retain a 3% GOR on all diamonds mined at White River, of which 1.5% can be purchased by the Company at any time for $2,000,000. The Vendors will also retain a 2% GOR on all other commodities mined at White River, of which 1% can be purchased by the Company at any time for $1,000,000.

During the year ended August 31, 2021, the Company decided to impair the evaluation and exploration assets by $845,928 to a nominal amount of $1 due to management's decision not to conduct any significant work in the near future. The Impairment is based on guidance outlined in IFRS 6, Exploration for and Evaluation of Mineral Resources and IAS 36, Impairment of Assets.

Taylor Brook Property, Newfoundland

On October 22, 2020, the Company entered into a letter of intent (the "TB LOI") with Altius Resources Inc. ("Altius") to acquire 100% interest of the mining claims (the "TB Claims") known as the Taylor Brook Nickel-Copper-Cobalt Project.

On December 18, 2020 (the "TB Execution Date"), the Company signed an option agreement (the "1st TB Option Agreement") with Altius to acquire 100% interest of the TB Claims. The Company will have the exclusive right for a period of 24 months (the "TB Option Period") to acquire an undivided 100% interest in the TB Claims.

Pursuant to the 1st TB Option Agreement, the Company will:

1) Issue 2,423,180 CDC common shares, or such number which is equivalent to 9.9% of the common shares issued and outstanding of CDC at the date of issuance, to Altius upon the Execution Date (issued on the TB Execution Date with fair value of $605,795);

2) Incur a minimum of $250,000 in exploration expenditures on the Claims within 12 months following the TB Execution Date (incurred);

3) Complete an equity financing with an amount of at least $1 million with a share price of not less than $0.25 (the "$1M Private Placement") within 12 months following the TB Execution Date (completed);

4) Issue common shares which will result in Altius' post the $1M Private Placement ownership at 19.9% based on the common shares issued and outstanding of CDC or the Company at the date of issuance, to Altius within 24 months following the TB Execution Date;

5) Commencing a transaction that will result in the Company becoming a reporting issuer in at least one province of Canada (the "Going Public Transaction") within 12 months following the TB Execution Date and complete the Going Public Transaction within 24 months following the TB Execution Date (completed); and

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Taylor Brook Property, Newfoundland (continued)

6) Enter into an investor rights agreement (the "TB Investor Rights Agreement") with Altius during the TB Option Period.

The TB Investor Rights Agreement will entitle Altius to designate one nominee for the election to the board of directors of CDC or the Company and will grant the right to Altius to participate in the Future Financings undertaken by CDC or the Company on the same terms which are offered to third parties to subscribe the common shares of CDC or the Company to maintain Altius' post Future Financings ownership in CDC or the Company at 19.9% of the issued and outstanding common shares of CDC or the Company.

On August 30, 2021 (the "2nd TB Execution Date"), the Company entered into two option agreements ("2nd TB Option Agreements") with two optionors on properties adjacent to the Taylor Book Property.

Pursuant to the 2nd TB Option Agreement with the first optionor, the Company optioned 4 contiguous claims under one mineral license. Under the term of the 2nd TB Option Agreement with the first optionor, the Company will pay or issue:

- On the 2nd TB Execution Date: $10,000 cash[1] [2] (paid)
- Within 5 days of receipt of regulatory approval: 35,000 common shares[3]
- On or before August 30, 2022: $15,000 cash[4] and 45,000 common shares
- On or before August 30, 2023: $50,000 cash[5] and 100,000 common shares

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[1] The Company has an option to satisfy $2,500 by issuing the common shares of the Company. The share price will be determined based on the 5-day Volume Weighted Average Trading Price ("VWAP") of the Company's common shares on the Exchange.

[2] The Company selected to satisfy the $2,500 by issuing the Company's common shares. 8,772 common shares were issued on September 7, 2021 (Note 7).

[3] An approval was received in September 2021, and 35,000 common shares were issued on September 7, 2021 (Note 7).

[4] The Company has an option to satisfy $5,000 by issuing the common shares of the Company with a written notice provided to the first optionor 10 days prior to the payment date. The share price will be determined based on the 5-day VWAP of the Company's common shares on the Exchange.

[5] The Company has an option to satisfy $20,000 by issuing the common shares of the Company with a written notice provided to the first optionor 10 days prior to the payment date. The share price will be determined based on the 5-day VWAP of the Company's common shares on the Exchange.

On execution of the 2nd TB Option Agreements, the Company granted a 2.0% Net Smelter Returns royalty ("NSR") to the first optionor, of which 1.0% of the NSR may be purchased by the Company for $1 million.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Taylor Brook Property, Newfoundland

Pursuant to the 2nd TB Option Agreement with the second optionor, the Company optioned 15 contiguous claims under one mineral license. Under the term of the 2nd TB Option Agreement with the second optionor, the Company will:

- On the 2nd TB Execution Date: $10,000 cash[1 2] (paid)
- Within 5 days of receipt of regulatory approval: 50,000 common shares[3]
- On or before August 30, 2022: $15,000 cash[4] and 100,000 common shares
- On or before August 30, 2023: $50,000 cash[5] and 200,000 common shares

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[1] The Company has an option to satisfy $2,500 by issuing the common shares of the Company. The share price will be determined based on the 5-day Volume Weighted Average Trading Price ("VWAP") of the Company's common shares on the Exchange.

[2] The Company selected to satisfy the $2,500 by issuing the Company's common shares. 8,772 common shares were issued on September 7, 2021 (Note 7).

[3] An approval was received in September 2021, and 50,000 common shares were issued on September 7, 2021 (Note 7).

[4] The Company has an option to satisfy $5,000 by issuing the common shares of the Company with a written notice provided to the first optionor 10 days prior to the payment date. The share price will be determined based on the 5-day VWAP of the Company's common shares on the Exchange.

[5] The Company has an option to satisfy $20,000 by issuing the common shares of the Company with a written notice provided to the first optionor 10 days prior to the payment date. The share price will be determined based on the 5-day VWAP of the Company's common shares on the Exchange.

On execution of the 2nd TB Option Agreements, the Company granted a 2.0% Net Smelter Returns royalty ("NSR") to the second optionor, of which 1.0% of the NSR may be purchased by the Company for $1 million.

In addition, during the year ended August 31, 2021, the Company paid staking fees of $15,990 for the Taylor Brook (South) Property located in Newfoundland, Canada. The Taylor Brook (South) Property includes 214 unpatented claims.

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Florence Lake Property, Newfoundland

On June 24, 2021, the Company entered into a binding letter of intent (the "FL LOI") with Altius to acquire a 100% undivided interest in certain mining claims (the "FL Claims") comprising the Florence Lake property in central Labrador (the "Florence Lake Property").

On July 23, 2021 (the "FL Execution Date"), the Company entered into a definitive option agreement (the "FL Option Agreement") with Altius to acquire 100% undivided interest in certain mining claims comprising the Florence Lake Property. The Company will have the exclusive option for a period of 24 months (the "FL Option Period") to acquire an undivided 100% ownership interest in the Florence Lake Property.

Pursuant to the terms (the "FL Terms") of the FL Option Agreement will:

- Issue 1,373,946 common shares of the Company to Altius (issued with fair value of $233,571 on the FL Executive Date);
- Incur a minimum of $1,500,000 in exploration expenditures within 12 months following the FL Executive Date;
- Complete an equity financing with an amount of at least $4 million (the "$4M Private Placement");
- Issue the lesser of 7,000,000 common shares or a number of shares which will not constitute Altius owning more than 19.9% of the issued and outstanding common shares of the Company on a partially diluted basis(1) immediately after the issuance.
- Provide Altius with a nomination right to elect one nominee to the board of directors of the Company until such time that Altius beneficially owns less than 9.9% of the common shares of the Company; and
- Provide Altius with a pre-emptive right to Altius to participate in the Future Financings undertaken by the Company on the same terms which are offered to third parties to subscribe the common shares of the Company to maintain Altius' post Future Financings ownership in the Company at 19.9% of the issued and outstanding common shares of the Company until such time that Altius beneficially owns less than 9.9% of the issued and outstanding common shares of the Company.

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1 Partially diluted basis is defined as the number of common shares of the Company and any convertible securities (the "Convertible Securities") which are convertible to the Company's common shares held by Altius divided by the number of issued and outstanding common shares of the Company and the Convertible Securities.

Upon the option being deemed to have been exercised in accordance with the FL Terms, the Company will issue the grant to Altius a 1.6% gross sales royalty on any minerals produced from the claims comprising the Florence Lake Property.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

The Company's exploration and evaluation expenditures during the three months November 30, 2021 are broken down as follows:

	Pelly Bay [(1)] $	Taylor Brook $	Florence Lake $	Total $
For the three months ended November 30, 2021				
Consulting	47,803	197,485	985	**246,273**
Drilling	-	359,974	-	**359,974**
Equipment rental	-	1,080	-	**1,080**
Field work	-	77,948	4,190	**82,138**
Licenses and permits	-	650	-	**650**
Mapping	-	9,813	-	**9,813**
Sample	-	917	-	**917**
Survey	-	6,767	-	**6,767**
Transportation	-	31,254	-	**31,254**
Travel	-	99,495	-	**99,495**
	47,803	**785,383**	**5,175**	**838,361**
For the three months ended November 30, 2020				
Field work	1,960	-	-	**1,960**
	1,960	**-**	**-**	**1,960**

(1) See Note 3

6. LEASE OBLIGATION

As of November 30, 2021, future minimum lease payments for the Company's under finance lease are as follows:

	$
As at August 31, 2021	**29,746**
Finance costs	808
Payments	(4,620)
As at November 30, 2021	**25,934**
Minimum undiscounted lease payments for each fiscal year:	
2022	13,980
2023	14,220
	28,200
Effect of discounting	**(2,266)**
	25,934
Current	**18,266**
Long-term	**7,668**
	25,934

7. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
At November 30, 2021 the Company had 43,562,547 (August 31, 2021 – 43,354,822) common shares issued and outstanding.

Escrow shares
On August 13, 2018, the Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release as follows:

- June 16, 2021: 1,205,883 common shares (released)
- December 16, 2021: 1,205,883 common shares (released subsequent to November 30, 2021)
- June 16, 2022: 1,205,883 common shares
- December 16, 2022: 1,205,884 common shares

On June 16, 2021, the Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release as follows:

- June 16, 2021: 1,001,680 common shares (released)
- December 16, 2021: 1,349,827 common shares (released subsequent to November 30, 2021)
- June 16, 2022: 1,655,212 common shares
- December 16, 2022: 1,655,212 common shares
- June 16, 2023: 1,960,596 common shares
- December 16, 2023: 1,960,597 common shares
- June 16, 2024: 3,487,521 common shares

During the three months ended November 30, 2021, 2,555,710 common shares were released from escrow.

As of November 30, 2021, there were 13,130,905 common shares held in escrow (August 31, 2021 – 15,686,615).

During the three months ended November 30, 2021

- The Company issued 17,544 common shares to satisfy the $5,000 option payments pursuant to the 2nd TB Option Agreement (Note 5).
- The Company issued 85,000 common shares with fair value of $ 23,800 pursuant to the 2nd TB Option Agreement (Note 5).
- 105,181 stock options were exercised for proceeds of $17,881. In addition, the Company reclassified the grant date fair value of the exercised stock options of $13,379 from stock options reserve to share capital.

During the three months ended November 30, 2020

- The Company issued 471,848 common shares with a value of $117,962 to settle certain balances owed to related parties.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (CONTINUED)

Subsequent to November 30, 2021

- On December 30, 2021, the Company completed a non-brokered private placement of 2,403,257 flow-through units ("FT Unit") at a price of $0.31 for gross proceeds of $745,010. Each FT Unit consisted of one common share of the Company issued as a flow-through share ("FT Share") within the meaning of the Income Tax Act (Canada) and one half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one common share of the Company at a price of $0.42 for a period of 24 months.

Warrants

There were no warrants issued, exercised or expired during the three months ended November 30, 2021 and 2020.

The following summarizes information about warrants outstanding at November 30, 2021:

Expiry date	Exercise price ($)	Warrants outstanding	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
August 27, 2023	0.40	269,275	-	1.74

Stock options

The Company has a Stock Option Plan (the "Plan") applicable to directors, officers, and consultants, under which the total outstanding stock options are limited to 10% of the outstanding common shares of the Company at any one time. Under the plan, an option's maximum term is five years from the grant date. Under the stock option plan, the Board has the option of determining vesting periods.

The changes in stock options during the three months ended November 30, 2021 are as follows:

	Number outstanding	Weighted average exercise price ($)
Balance, beginning of period	**2,501,205**	**0.23**
Granted	500,000	0.30
Balance, end of period	**3,001,205**	**0.24**

During the three months ended November 30, 2021

- On September 1, 2021, the Company granted 250,000 options with an exercise price of $0.30 to a consultant. The options are exercisable for a period of five years. One-fourth vest three months after the grant date and will vest every three months thereafter.

- On September 1, 2021, the Company granted 250,000 options with an exercise price of $0.30 to a consultant. The options are exercisable for a period of five years. One-fourth vest on date of the grant, one-fourth vest six months after the grant and one and half will be vest one year thereafter.

There were no options granted, exercised or expired during the three months ended November 30, 2020.

(Expressed in Canadian Dollars)

7. SHARE CAPITAL (CONTINUED)

Stock options (continued)

The estimated grant date fair value of the options granted during the three months November 30, 2021 calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	500,000
Risk-free interest rate	0.71%
Expected annual volatility	100%
Expected life (in years)	5.00
Expected dividend yield	0%
Grant date fair value per option ($)	0.21
Share price at grant date ($)	0.29

During the three months ended November 30, 2021, the Company recognized share-based payments expense arising from stock options of $54,170 (November 30, 2020 – $nil).

The following summarizes information about stock options outstanding and exercisable at November 30, 2021:

Expiry date	Exercise price ($)	Options outstanding	Options exercisable	Estimated grant date fair value ($)	Weighted average remaining contractual life (in years)
March 20, 2025	0.25	1,800,000	1,800,000	323,374	3.31
June 16, 2022	0.17	701,205	701,205	89,196	0.54
September 1, 2026	0.30	500,000	62,500	-	4.76
		3,001,205	**2,563,705**	**412,570**	**2.91**
Weighted average exercise price ($)		**0.24**	**0.24**		

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel include persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management includes executive officers and directors.

The transactions related to and the compensation paid to the Company's key management personnel during the three months ended November 30, 2021 and 2020 are as follows:

- The Company paid $30,246 in salaries (November 30, 2020 – $1,150), $52,532 in exploration and evaluation expenses (November 30, 2020 – $nil), and $4,620 in rent (November 30, 2020 – $4,500) to a consulting firm of which the Company's Chief Executive Officer is a partner. As of November 30, 2021, $47,911 (August 31, 2021 – $32,861) was owed to companies controlled by the Chief Executive Officer.

- The Company incurred professional fees of $18,496 (November 30, 2020 – $6,000) with an accounting firm of which the Company's Chief Financial Officer is a partner. As at November 30, 2021, $13,978 (August 31, 2021 – $9,342) was owed to this partnership.

In addition, during the three months ended November 30, 2020, the Company issued 471,848 common shares with a value of $117,962 to settle certain balances owed to related parties.

9. COMMITMENTS

The Company periodically issues flow-through shares with any resulting flow-through premium recorded as a flow-through share premium liability. The liability is subsequently reduced when the required exploration expenditures are made, and accordingly, a recovery of the flow-through premium is recorded as other income.

Based on Canadian tax law, the Company is required to spend the proceeds from the issuance of the flow-through shares on eligible exploration expenditures within two years from the date of issuance. If the Company is unable to meet this deadline, it will be subject to Part XII.6 taxes in accordance with the Canadian Income Tax Act.

A continuity of the flow-through share premium liability during the three months ended November 30, 2021 is as follows:

	$
Balance, beginning of the period	**500,000**
Settlement on expenditures made recorded as other income	(171,325)
Balance, end of period	**328,675**

10. SEGMENTED INFORMATION

The Company operates in one reportable segment, being the exploration and evaluation of exploration and evaluation assets. All of the Company's equipment and exploration and evaluation assets are located in Canada.

11. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its exploration and evaluation assets, acquire additional exploration interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the three months ended November 30, 2021.

12. FINANCIAL INSTRUMENTS

Fair value

The carrying values of cash, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 Unadjusted quoted prices 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 that are not based on observable market data.

As at November 30, 2021 and August 31, 2021, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 1, 2 and 3 in the fair value hierarchy above.

12. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to financial instruments fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and sales taxes receivable.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's sales taxes receivable consists of GST receivable from the government of Canada. The Company's maximum exposure to credit risk is the carrying value of its financial assets. Management believes that the credit risk related to its cash and sales taxes receivable is negligible.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

At November 30, 2021, the Company had cash of $1,503,431 and accounts payable and accrued liabilities of $468,082. All accounts payable and accrued liabilities are current.

Market Risk

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of November 30, 2021.

The Company's loan payable is not subject to interest rate risk as it is non-interest bearing.

Foreign Currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. As of November 30, 2021, the Company is not exposed to significant currency risk as the majority of the transactions and balances are denominated in Canadian dollars.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on the results of operations due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.