

NORTH VALLEY RESOURCES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2021

(Expressed in Canadian dollars)

(Unaudited)

NORTH VALLEY RESOURCES LTD.

Condensed Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

As at	Note	December 31, 2021	September 30, 2021
		\$	\$
ASSETS			
Current			
Cash		221,002	253,570
Prepaid expenses		1,560	2,145
Other receivables		9,209	8,231
		231,771	263,946
Non-current			
Exploration and evaluation assets	4	161,909	154,504
Total assets		393,680	418,450
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	5	10,251	8,885
Due to related parties		5,001	18,260
Total liabilities		15,251	27,145
Shareholders' equity			
Share capital	6	508,287	508,286
Reserves	6	58,278	58,278
Deficit		(188,136)	(175,259)
Total shareholders' equity		378,429	391,305
Total liabilities and shareholders' equity		393,680	418,450

Nature of operations and going concern (Note 1)

These condensed interim financial statements were approved by the Board of Directors on February 14, 2022:

"Kenneth C Ellerbeck"

Director

"Quinn R Ellerbeck"

Director

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

NORTH VALLEY RESOURCES LTD.

Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Note	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
		\$	\$
EXPENSES			
Bank charges and interest		52	76
Professional fees		658	41,594
Share-based compensation	6	-	36,891
Management fees		7,500	-
Office and general		4,667	-
Loss and comprehensive loss		(12,877)	(78,561)
Loss per share – basic and diluted		(0.00)	(0.02)
Weighted average number of common shares outstanding – basic and diluted		9,975,000	4,600,932

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

NORTH VALLEY RESOURCES LTD.

Condensed Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves	Deficit	Total Shareholders' Equity
	Number of Shares	Amount			
		\$	\$	\$	\$
Balance, September 30, 2020	6,875,000	201,000	-	(13,906)	187,094
Shares issued for cash	1,000,000	100,000	-	-	100,000
Reserves	-	-	36,891	-	36,891
Net loss for the period	-	-	-	(78,561)	(78,561)
Balance, December 31, 2020	7,875,000	301,000	36,891	(92,467)	245,424
Balance, September 30, 2021	9,975,000	508,286	58,278	(175,259)	391,305
Shares issued for cash	-	-	-	-	-
Reserves	-	-	-	-	-
Net loss for the period	-	-	-	(12,877)	(12,877)
Balance, December 31, 2021	9,975,000	508,286	58,278	(188,136)	378,429

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

NORTH VALLEY RESOURCES LTD.
Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
	\$	\$
Operating activities:		
Net loss	(12,877)	(78,561)
Non-cash item:		
Share-based compensation	-	36,891
Changes in non-cash working capital items:		
Prepaid expenses	585	13,000
Accounts receivable	(978)	-
Accounts payable and accrued liabilities	1,366	27,594
Due from related party	(13,259)	-
Net cash (used in) provided by operating activities	(25,163)	(1,076)
Financing activities:		
Proceeds from issuance of shares	-	100,000
Net cash provided by financing activities	-	100,000
Investing activities:		
Exploration assets	(7,406)	-
Increase (Decrease) in cash	(32,568)	98,924
Cash, beginning	253,570	87,202
Cash, ending	221,002	186,126

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NORTH VALLEY RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2020
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

North Valley Resources Ltd. (the "Company") was incorporated in the Province of British Columbia on January 26, 2012 under the Business Corporations Act of British Columbia. The Company is focused on acquisition, exploration and development of mineral properties in British Columbia. The Company's registered office is 255 Battle Street West, Kamloops BC V2C 1G8.

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities, its ability to attain profitable operations and generate funds and raise equity capital or borrowings sufficient to meet current and future obligations. The Company may be able to raise funds through equity financings. However, there is no assurance that additional financing will be available on terms acceptable to the Company, or at all. These matters represent material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. These condensed interim financial statements do not reflect adjustments to the carrying value of assets and liabilities that would be necessary should the Company be unable to continue operations. Such adjustments could be material.

On March 11, 2020, the World Health Organization declared the recent outbreak of the coronavirus, also known as "COVID-19" a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. As a result, there has been changes in global supply and demand of certain mineral and energy products. These changes, including any potential resulting direct and indirect negative impact to the Company, cannot be determined, but they could have a prospective material impact to the Company's project exploration activities, cash flows and liquidity.

2. BASIS OF PREPARATION

Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS, and should be read in conjunction with the Company's audited financial statements for the year ended September 30, 2021 and 2020. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the financial statements for the years ended September 30, 2021 and 2020.

The condensed interim financial statements were authorized for issue by the Board of Directors of the Company on February 10, 2022.

Basis of measurement

These condensed interim financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. The condensed interim financial statements are presented in Canadian dollars, unless otherwise noted, which is the functional currency of the Company.

NORTH VALLEY RESOURCES LTD.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 2 to the audited financial statements for the years ended September 30, 2021 and 2020.

Significant accounting judgements

The preparation of condensed interim financial statements in accordance with IAS 34 requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed interim financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments;
- the classification and allocation of expenses as exploration and evaluation expenditures or operating expenses; and
- assessment of impairment of its exploration and evaluation assets.

Significant accounting estimates and assumptions

The preparation of condensed interim financial statements in accordance with IAS 34 requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets and the recoverability measurement of deferred tax assets.

Recently Adopted Accounting Standards

Accounting standard or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed interim financial statements.

4. EXPLORATION AND EVALUATION ASSETS

Barnum Property - BC

On June 15, 2020 the Company entered into an option agreement with a director of the Company to acquire an undivided 100% interest in 6 mineral claims located in the Kamloops Mining District of British Columbia, Canada (the "Barnum Property"). On April 14, 2021, the Company entered into an amended agreement.

As per the amended terms, the Company agrees to pay an aggregate sum of \$550,000 cash and 600,000 shares of the Company and to incur \$895,000 of exploration expenditures on the Barnum Property by the fourth anniversary of the Company obtaining a listing (the "Listing Date") on the Canadian Securities Exchange ("CSE"). The option payments are as follows:

- By October 1, 2021 - \$85,000 in exploration expenditures (incurred);
- By the 2nd anniversary of the Listing Date - 100,000 common shares and \$110,000 additional expenditures;
- By the 3rd anniversary of the Listing Date – 200,000 common shares, \$100,000 cash and \$300,000 additional expenditures; and
- By the 4th anniversary of the listing date – 300,000 common shares, \$450,000 cash and \$400,000 additional expenditures.

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The Barnum Property is subject to 2% net smelter return royalty ("NSR"), of which the Company may elect to purchase 1% of NSR for \$1,000,000 prior to the commencement of commercial production.

Comstock Property - BC

On April 14, 2021 the Company entered into an option agreement with a director of the Company to acquire an undivided 100% interest in 19 mineral claims located in the Kamloops Mining District of British Columbia, Canada (the "Comstock Property").

In order to exercise the option, the Company agrees to pay the optionor an aggregate sum of \$595,000 cash and 750,000 shares of the Company and to incur \$715,000 of exploration expenditures on the Comstock Property by the fourth anniversary of the Listing Date. The option payments are as follows:

- By the agreement date - \$5,000 cash (paid);
- By the listing date – 100,000 common shares with a fair value of \$10,000 (issued) and \$5,000 cash (paid);
- By February 1, 2022 - \$10,000 in exploration expenditures;
- By the 1st anniversary of the Listing Date – 100,000 common shares, \$10,000 cash and \$105,000 additional expenditures;
- By the 2nd anniversary of the Listing Date – 100,000 common shares, \$50,000 cash and \$200,000 additional expenditures;
- By the 3rd anniversary of the Listing Date – 100,000 common shares, \$100,000 cash and \$200,000 additional expenditures; and
- By the 4th anniversary of the Listing Date – 350,000 common shares, \$425,000 cash and \$200,000 additional expenditures.

The Comstock Property is subject to 2% NSR, of which the Company may elect to purchase 1% NSR for \$1,000,000 prior to the commencement of commercial production.

A continuity of the Company's exploration and evaluation asset is as follows:

	\$
<u>Acquisition costs:</u>	
Balance, September 30, 2021	20,010
Additions	-
Balance, December 31, 2021	20,010
<u>Deferred exploration expenditures:</u>	
Balance, beginning of period	134,494
Technical Report	-
Geophysical survey	7,404
Staking	-
Balance, December 31, 2021	141,898
Total, December 31, 2021	161,909

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5. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. During the three months ended December 31, 2021 and 2020, there was no remuneration of directors and key management personnel.

During the three months ended December 31, 2021, the Company incurred management and consulting fees of \$7,500 (December 31, 2020 - \$nil) with a related party company controlled by directors of the Company.

Related parties

During the three months ended December 31, 2021 and 2020, the Company incurred no share-based payments.

As at December 31, 2021, the Company has a balance payable of \$8,885 (2020 - \$9,510) to a company controlled by directors of the Company, for operating expenses and exploration and evaluation expenditures incurred. The amount payable due to related party is non-interest bearing, due on demand and bears no specific terms of repayment.

As at December 31, 2021, the Company has a balance payable of \$5,001 (2020 - \$nil) to a director of the Company pursuant to the Comstock Property option agreement (note 3) and an amount receivable of \$nil (2020 - \$1,892).

The balances payable due to related parties are non-interest bearing, due on demand and bears no specific terms of repayment.

6. SHARE CAPITAL

Authorized Share Capital

Unlimited number of common shares without par value.

Common Shares

During the three months ended December 31, 2021

During the three months ended December 31, 2020, the Company did not issue common shares.

During the year ended September 30, 2021

On July 22, 2021, 500,000 shares previously issued to a related company controlled by a director were cancelled and returned to treasury. On July 30, 2020, the Company entered into a share-for-debt agreement with issuance of 1,700,000 common shares to settle a balance of \$85,000 payable to a related company controlled by the directors of the Company. The payable was arising from geophysical surveying services provide by the related company. On July 22, 2021, the Company entered into an amended agreement whereby the related company

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6. SHARE CAPITAL (continued)*During the year ended September 30, 2021 (continued)*

agreed to reduce the service fee to \$60,000 and, accordingly, returned 500,000 common shares with a fair value of \$25,000 to treasury. The Company recorded the amount directly in equity.

On August 3, 2021, the Company issued 2,500,000 shares for gross proceeds of \$250,000. The Company issued 195,650 finders' warrants and paid \$17,536 finders' fee in cash. Each warrant is exercisable into one common share at \$0.10 per share on or before February 3, 2023. The fair value of the warrants was \$10,178, assessed using the Black Scholes Option Pricing Model with the following assumptions: stock price of \$0.10; expected life of 1.5 years; expected volatility of 115%; risk free rate of 0.42%; and expected dividends of 0%.

Escrowed shares

As at December 31, 2021, 3,937,500 shares were held in escrow (September 30, 2021 – 3,937,500).

Stock Options

The Company has a stock option plan (the "Plan") that provides to the Company's directors, officers, key employees and service providers to purchase common shares in the capital stock of the Company. Terms and pricing of options are determined at the date of grant in accordance with the Plan. Stock option transactions and the number of stock options outstanding are summarized below:

On October 15, 2020, the Company granted 500,000 stock options to three directors of the Company to purchase 500,000 common shares at \$0.10 per share. All the stock options vested immediately upon the date of grant and have an expiry date on October 15, 2025.

On May 6, 2021, the Company granted 100,000 stock options to a director of the Company to purchase 100,000 common shares at \$0.10 per share. All the stock options vested immediately upon the date of grant and have an expiry date on May 6, 2026.

	Number of Options	Weighted Average Exercise Price
		\$
Balance, September 30, 2021	-	-
Granted	600,000	0.10
Balance, December 31, 2020	600,000	0.10

Date of Expiry	Exercise Price	Number of Options Issued and Exercisable
	\$	
October 15, 2020	0.10	500,000
Balance, December 31, 2021		600,000

As of September 30, 2021, the fair value of the options granted was \$48,100 calculated using the Black-Scholes pricing model with the following weighted average assumptions: stock price of \$0.10, expected life of 5 years, expected volatility of 115%, dividend yield of 0%, risk-free interest rate of 0.34%. The Company estimates the volatility based on historical share prices of comparable companies.

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6. SHARE CAPITAL (continued)**Stock Options (continued)**

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

Date of Expiry	Weighted Average Remaining Life (years)	Exercise Price	Number of Options outstanding and exercisable
		\$	
October 15, 2025	3.75	0.10	500,000
May 6, 2026	4.3	0.10	100,000
			600,000

Warrants

The following is a summary of the Company's warrant transactions:

	Number of warrants	Weighted Average Exercise Price
		\$
Balance, September 30, 2021	195,650	0.10
Issued	-	0.10
Balance, December 30, 2021	195,650	0.10

As at December 31, 2021, the following warrants were outstanding.

Date of Expiry	Weighted Average Remaining Life (years)	Exercise Price	Number of Warrants
		\$	
February 3, 2023	1	0.10	195,650

7. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue its operations and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity.

The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long term but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

NORTH VALLEY RESOURCES LTD.

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8. FINANCIAL INSTRUMENTS

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk and foreign currency exchange risk. Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Cash is measured at Level 1. The fair values of other financial instruments, which include accounts payable and accrued liabilities, other receivables and due from / to related parties approximate their carrying values due to the relatively short-term maturity of these instruments.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's current exposure to interest rate arises from the interest rate impact on its cash. The fair value of cash is not significantly affected by changes in short term interest rates.

b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, which is held with a high-credit financial institution. As such, the Company's credit exposure is minimal.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company addresses its liquidity through equity financing obtained through the sale of common shares. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

d) Foreign currency exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. The Company is not exposed to foreign exchange risk.