CMC METALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended September 30, 2021 and 2020

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of CMC Metals Ltd.

Opinion

We have audited the consolidated financial statements of CMC Metals Ltd. ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of CMC Metals Ltd. for the year ended September 30, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on January 26, 2021.

Other Information

Management is responsible for the other information. The other information comprises:

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 Group’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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’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 Group’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 Group 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 Group 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 Diana Huang.

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
January 28, 2022

CMC METALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2021 and 2020
(Expressed in Canadian dollars)

		2021		2020
ASSETS				
Current				
Cash	$	524,107	$	300,610
Receivables		62,316		105,421
Prepaid expenses		30,715		30,508
		617,138		436,539
Non-current				
Reclamation bond (Notes 3 and 7)		402,311		258,228
TOTAL ASSETS	$	1,019,449	$	694,767
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	283,661	$	228,739
Due to related parties (Note 9)		14,895		61,604
Preferred shares (Note 6)		500,000		500,000
		798,556		790,343
Non-current				
Loan payable (Note 5)		24,646		21,065
Provision for restoration and environmental obligation (Note 7)		392,722		146,070
TOTAL LIABILITIES		1,215,924		957,478
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 8)		23,404,022		20,654,620
Share subscription receivable		-		2,500
Share-based payment reserve		958,266		611,437
Deficit		(24,558,763)		(21,531,268)
TOTAL SHAREHOLDERS' DEFICIENCY		(196,475)		(262,711)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$	1,019,449	$	694,767

Nature and continuance of operations – (Note 1)
Commitments – (Note 4)
Subsequent events – (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors:

"Kevin Brewer" — Kevin Brewer

"John Bossio" — John Bossio

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

CMC METALS LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

		2021		2020
Administrative expenses				
Amortization	$	-	$	4,508
Consulting fees (Note 9)		164,231		123,653
Exploration expenditures (Notes 4 and 9)		2,123,777		659,757
Filing fees and transfer agent		48,876		23,706
Financing fee (Note 9)		6,573		1,461
Interest expense (Note 5)		3,581		1,586
Management fees (Note 9)		9,914		-
Marketing		80,599		9,000
Office and miscellaneous (Note 9)		131,594		104,800
Professional fees		136,382		31,501
Rent (Note 9)		18,000		18,000
Share-based payments (Notes 8 and 9)		384,042		-
Travel		17,257		10,765
		3,124,826		988,737
Loss before other items		(3,124,826)		(988,737)
Other items				
Other income		-		(55)
Gain (loss) on foreign exchange		(12,004)		1,534
Recovery of flow-through share premium (Note 11)		96,250		37,865
		84,246		39,344
Net loss and comprehensive loss for the year	$	(3,040,580)	$	(949,393)
Basic and diluted loss per share	$	(0.04)	$	(0.02)
Weighted average number of common shares outstanding		80,350,396		51,085,037

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

CMC METALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
For the years ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Subscriptions Received in Advance	Share-Based Payment Reserve	Deficit	Total Shareholders' Deficiency
Balance, at September 30, 2019	33,550,055	$ 19,220,318	$ -	$ 300,972	$ (20,893,639)	$ (1,372,349)
Shares issued for cash	17,207,120	965,356	-	-	-	965,356
Subscriptions received in advance	-	-	2,500	-	-	2,500
Shares issued for settlement of debts	15,588,210	779,411	-	-	311,764	1,091,175
Fair value allocated to warrants	-	(410,355)	-	410,355	-	-
Reallocation on exercise of warrants	-	99,890	-	(99,890)	-	-
Loss and comprehensive loss for the year	-	-	-	-	(949,393)	(949,393)
Balance, September 30, 2020	66,345,385	20,654,620	2,500	611,437	(21,531,268)	(262,711)
Share issuances for cash	27,842,115	2,809,788	(2,500)	-	-	2,807,288
Share issuances for exploration and evaluation assets	320,000	45,900	-	-	-	45,900
Share issuance costs	-	(34,164)	-	-	-	(34,164)
Flow-through premium	-	(96,250)	-	-	-	(96,250)
Finder's fee agent's warrants	-	(15,947)	-	15,947	-	-
Share-based payments	-	-	-	384,042	-	384,042
Fair value allocated to warrants	-	(438,450)	-	438,450	-	-
Reallocation on exercise of warrants	-	478,525	-	(478,525)	-	-
Fair value reallocation on expired warrants	-	-	-	(13,085)	13,085	-
Loss and comprehensive loss for the year	-	-	-	-	(3,040,580)	(3,040,580)
Balance, September 30, 2021	94,507,500	$ 23,404,022	$ -	$ 958,266	$ (24,558,763)	$ (196,475)

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

CMC METALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended September 30, 2021 and 2020
(Expressed in Canadian dollars)

		2021		2020
Operating Activities				
Net loss for the year	$	(3,040,580)	$	(949,393)
Items not affecting cash				
Amortization		-		4,508
Accrued interest on loans payable		3,581		1,586
Share-based payments		384,042		-
Shares issued for exploration and evaluation asset		45,900		-
Flow-through share premium reversal		(96,250)		(37,865)
Foreign exchange loss		13,493		-
Provision for restoration and environmental obligation		244,735		-
Changes in non-cash working capital items related to operations:				
Receivables		43,105		(75,864)
Prepaids and deposit		(207)		942
Accounts payables and accrued liabilities		54,922		126,350
Due to related parties		(46,709)		(80,229)
Cash used in operating activities		(2,393,968)		(1,009,965)
Investing Activity				
Reclamation bond		(155,659)		-
Cash used in investing activity		(155,659)		-
Financing Activities				
Proceeds on issuance of common shares		2,807,288		965,356
Subscriptions received in advance		-		2,500
Share issuance costs		(34,164)		-
Cash provided by financing activities		2,773,124		967,856
Effect of foreign exchange on cash		-		(1,916)
Change in cash during the year		223,497		(44,025)
Cash, beginning of year		300,610		344,635
Cash, end of the year	$	524,107	$	300,610

Supplemental Disclosure of Cash Flow Information:				
Cash paid during the period				
Interest	$	-	$	-
Income taxes		-		-
Non-cash transactions:				
Shares issued for exploration and evaluation assets	$	45,900	$	-
Shares issued for settlement of debt		-		1,091,175
Fair value of agent's warrants		15,947		-
Fair value on transfer from reserve on exercise of warrants		478,525		99,890
Reallocation on expiry of warrants		13,085		-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

CMC Metals Ltd. (the "Company") is incorporated in the Province of British Columbia and its principal activity is the acquisition and exploration of mineral properties in Canada and the United States of America. The Company is listed on the TSX Venture Exchange ("TSX-V").

The head office and principal address of the Company are located at Suite 615 – 800 Pender Street, Vancouver, British Columbia, Canada, V6C 2V6 and its records office is located at Suite 1120 – 625 Howe Street, Vancouver British Columbia, Canada, V6C 2T6.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of September 30, 2021, the Company had not advanced its properties to commercial production. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

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. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

The financial statements were authorized for issue on January 28, 2022 by the directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance

The consolidated 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 issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0877887 B.C. Ltd., incorporated under the Business Corporations Act of British Columbia and CMC Metals Corp. which is incorporated in the State of California and is inactive.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

		Percentage of ownership	
	Country	2021	2020
0877887 B.C. Ltd.	Canada	100%	100%
CMC Metals Corp.	United States	100%	100%

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION – (cont'd)

Significant estimates and assumptions

The preparation of consolidated financial statements in accordance with IFRS 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 provisions for restoration and environmental obligations and contingent liabilities. See note 7.

Significant judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, apart from those requiring estimates, in applying accounting policies. The most significant judgments in applying the Company's 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 determination of the functional currency of the parent company and its subsidiaries.

Cash and cash equivalents

Cash include cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Foreign currency translation

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

Transactions and balances:
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the exchange rate prevailing at the statement of financial position date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the relating exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

1. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION – (cont'd)

Restoration and environmental obligations – (cont'd)

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized or expensed in accordance with the Company's accounting policy for exploration and evaluation assets.

Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred.

Government tax credits received are recorded as a reduction to the exploration costs incurred.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Share-based payments

Share-based payments to employees are measured at the fair value of the stock options granted and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably estimated. The fair value of stock options is determined using the Black–Scholes Option Pricing Model, taking into account the terms and condition upon which stock options are granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options are expected to vest.

All equity-settled share-based payments are reflected in reserves until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. Amount recorded in reserves for share options which expire unexercised are transferred to deficit.

Financial instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. The Company's financial instruments are classified as follows:

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION – (cont'd)

Financial instruments – (cont'd)

(i) Classification – (cont'd)

Financial Instruments	Classification
Cash	Amortized cost
Receivables	Amortized cost
Reclamation bond	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost
Loan payable	Amortized cost

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Debt investments at FVTOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of net (loss) income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION – (cont'd)

Financial instruments – (cont'd)

(iv) Derecognition – (cont'd)

Financial liabilities – (cont'd)

The carrying amount of the Company's tangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount is the greater of: (i) an asset's fair value less cost to sell, and (ii) its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an individual asset that does not generate cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The Company has adopted a pro rata method with respect to the measurement of shares and warrants issued as private placement units. The pro rata method requires each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common shares is based on the closing quoted bid price on the announcement date but no more than the unit price and the fair value of the common share purchase warrants is determined at the announcement date using the Black-Scholes option pricing model. The fair value attributed to the warrants is recorded in equity reserves.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount is transferred to deficit. If and when the expiration date of such warrants is extended or the exercise price decreases, the Company does not record a charge for the incremental increase in fair value.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively when the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split.

Income tax

Current income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION – (cont'd)

Income tax – (cont'd)

Deferred income tax

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability"). Upon renouncement by the Company of the tax benefits associated with the related expenditures, a flow-through share premium liability is recognized, and the liability will be reversed as eligible expenditures are made. If such expenditures are capitalized, a deferred tax liability is recognized. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability.

Contingent liabilities

Provisions are recognized when a present obligation exists (legal or constructive), as a result of a past event, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation at the reporting date, measured using the expected cash flows discounted for the time value of money. The increase in provision (accretion) due to the passage of time is recognized as a finance cost in profit or loss. Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control, or present obligations that are not recognized because it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably. Contingent liabilities are not recognized but are disclosed and described in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote.

Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods are as follows:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2023.

3. RECLAMATION BOND

The Company has a reclamation bond held in trust by the Bureau of Land Management. As of September 30, 2021, the reclamation bond consists of a deposit of $246,652 (2020 - $258,228) made by the Company for indemnification of site restoration of the Company's Bishop Mill Property (Note 4).

During the year ended September 30, 2021, the Company advanced $9,589 (2020 - $Nil) to the Government of the Yukon Territory as additional security deposit for site restoration on the Silver Hart property. This is in addition to the $146,070 letter of Credit that was provided to the Government of the Yukon Territory (Note 7). The letter of Credit is secured by the Company's Guaranteed Investment Certificate of $146,070 and recorded in reclamation bond.

(Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION EXPENDITURES

	Silver Hart	Bishop Mill	Blue Heaven	Bridal Veil	Rancheria	Amy and Silverknife	Terra Nova	Total
Exploration costs								
Costs incurred during the year:								
Assaying	$ 25,715	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,715
Clean up costs	-	78,545	-	-	-	-	-	78,545
Contractors	435,295	-	7,500	-	-	-	-	442,715
Drilling	(44,865)	-	-	-	-	-	-	(44,865)
Field office	44,947	-	-	-	-	-	-	44,947
Road construction and exploration trenching	127,358	-	-	-	-	-	-	127,358
Transportation and supplies	40,167	-	-	-	-	-	-	40,167
Travel expenses	5,616	-	-	-	-	-	-	5,616
	634,233	78,545	7,500	-	-	-	-	720,278
Government credit	(40,000)	-	-	-	-	-	-	(40,000)
Government loan	(20,521)	-	-	-	-	-	-	(20,521)
For the year ended September 30, 2020	$ 573,712	$ 78,545	$ 7,500	$ -	$ -	$ -	$ -	$ 659,757

	Silver Hart	Bishop Mill	Blue Heaven	Bridal Veil	Rancheria	Amy and Silverknife	Terra Nova	Total
Costs incurred during the year:								
Acquisition costs	$ -	$ -	$ 30,000	$ 30,400	$ 12,000	$ 34,500	$ 5,000	$ 111,900
Asset retirement obligation	-	244,735	-	-	-	-	-	244,735
Contractors	486,628	-	785	8,855	5,790	7,918	1,092	511,068
Clean up costs	-	60,846	-	-	-	-	-	60,846
Equipment rental	182,170	-	-	-	4,000	-	-	186,170
Field office	161,513	-	-	-	-	-	-	161,513
Geological	215,698	-	-	4,804	47,046	724	2,036	270,308
Geophysical	371,905	-	23,959	500	27,853	20,063	-	444,280
Supervision fees	22,455	-	-	-	-	-	-	22,455
Transportation and supplies	101,087	-	-	107	138	-	-	101,332
Travel expenses	7,362	-	-	226	940	642	-	9,170
For the year ended September 30, 2021	$ 1,548,818	$ 305,581	$ 54,744	$ 44,892	$ 97,767	$ 63,847	$ 8,128	$ 2,123,777

Silver Hart Property

On February 21, 2005, the Company acquired a 100% interest in certain claims comprising the Silver Hart Property located in the Watson Lake Mining District, Yukon Territories from an individual who subsequently became a director and officer of the Company for a total of $995,000. The Company's remaining and additional obligation for the consideration was settled by the issuance of a loan.

During the year ended September 30, 2020, the Company entered into a Yukon Mineral Exploration Transfer Payment Program Agreement with the Yukon Geological Survey ("YG") for a one-time financial assistance to assist with the costs of an exploration program related to the Silver Hart Property. The YG agreed to contribute up to a maximum of $40,000 (the "Government Credit") towards eligible exploration expenditures which are, in the opinion of YG, reasonable and directly attributable to the Silver Hart.

During the year ended September 30, 2020, the Company incurred the eligible exploration expenditures and, therefore, recorded the $40,000 Government Credit in receivables and as a reduction to the cumulative costs incurred on the Silver Hart Property. During the year ended September 30, 2021, the Government Credit was received in full.

The Government Credit was made available on certain terms and conditions, and in reliance on attestations made by the Company in the agreement. Non-compliance with the terms and conditions may result in termination, withholding by the YG of some or all of the Government Credit or repayment of all or part of the Government Credit. The amount demanded for repayment shall bear interest beginning on the due date and ending on the day before the day on which payment is received by YG. To September 30, 2021 and subsequently, the Company has not received notification of non-compliance.

4. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)

Silver Hart Property – (cont'd)

The Company was subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart Property. Accordingly, the Company has recognized its obligation to remediate the claim and have provided reclamation deposits on a progressive basis (Notes 3 and 7).

Blue Heaven Property

On June 1, 2020, the Company entered into a Property Option Agreement with Strategic Metals Ltd. ("Strategic") to acquire up to a 100% interest in certain claims comprising the Blue Heaven Property located in the Rancheria Silver District, Yukon Territories.

The Company has the option to acquire an 80% interest (the "First Option") for the following consideration payments:

- $7,500 upon execution of the Agreement (paid);
- An additional $30,000 on or before June 1, 2021 (paid);
- An additional $62,500 on or before June 1, 2022;
- An additional $125,000 on or before June 1, 2023; and
- An additional $175,000 on or before June 1, 2024.

Upon completion of the First Option payments, the Company and Strategic will enter into a joint venture to pursue the exploration, development, construction and mining of the Blue Heaven Property. The Company will be the initial operator of the joint venture and remain for as long as its interest is equal to or exceeds 50%.

The Company has the option to acquire a further 20% interest (the "Second Option") by payment of $500,000 on or before November 28, 2024. Upon completion of the Second Option payment, the Company will be deemed to have acquired a 100% interest in the Blue Heaven Property.

The Blue Heaven Property is subject to a 2% net smelter royalty ("NSR"). The Company has the option to acquire one-half, being 1%, of the NSR for $1,000,000.

Bishop Mill Property

On March 19, 2010, and as completed on April 15, 2010, the Company entered into a sale and purchase agreement and acquired a 100% interest in certain claims, buildings, water rights and machinery, comprising the Bishop Mill Property located near Bishop, California. Subsequent to the purchase of the Bishop Mill Property, the Company has continued to incur additional costs in order to bring the mill and equipment to use. As at September 30, 2021, the Bishop Mill was not capable of operating in a manner intended by management. For the year ended September 30, 2021, the Company incurred $60,846 (September 30, 2020 - $78,545) in clean-up costs on the Bishop Mill Property. As at September 30, 2021, the Company has a reclamation bond with the Bureau of Land Management and has recognized its obligation to remediate the claims (Notes 3 and 7).

Bridal Veil Property

On October 22, 2020, the Company entered into a mineral property option agreement to acquire a 100% working interest in the Bridal Veil Property located in the Gander Subzone in Central Newfoundland, for consideration comprised of cash and the issuance of common shares of the Company, subject to TSX-V approval, which was received on December 11, 2020. The Company paid $16,000 cash and issued 120,000 common shares at a fair value of $14,400 to the optionors on December 15, 2020.

Pursuant to this agreement, the Company is required to make the following additional payments:

- $24,000 plus issue 100,000 common shares or pay $10,000 in cash (paid) and issue 200,000 common shares on or before October 22, 2021 (issued subsequent to year end); and,
- $20,000 plus 100,000 common shares or $10,000 and 200,000 common shares on or before October 22, 2022 and October 22, 2023.

There is a 2.5% NSR of which 1.5% can be purchased at any time by the Company from the optionors for $1,000,000 per 1%.

4. EXPLORATION AND EVALUATION EXPENDITURES – (cont'd)

Rancheria Property

On November 2, 2020, the Company entered into a mineral property option agreement to earn up to a 100% working interest in the Rancheria South mineral property located in the Liard Mining Division in the Province of British Columbia, for consideration of the issuance of a total of 1,500,000 common shares of the Company over a period of three years from the date of the agreement, subject to TSX-V approval which was received on December 11, 2020.

The Company issued 100,000 common shares at a fair value of $12,000 (issued) to the optionor on December 15, 2020 and will issue:

- 250,000 common shares on or before November 2, 2021 (issued subsequent to year end);
- 400,000 common shares on November 2, 2022; and,
- 750,000 common shares on November 2, 2023.

The Company is committed to incurring exploration expenditures on the Rancheria Property totaling $175,000 as follows:

- $25,000 on or before November 2, 2021 (incurred);
- an additional $50,000 on or before November 2, 2022 (incurred); and,
- an additional $100,000 on or before November 2, 2023.

There is a 2% NSR which can be reduced to 1% upon the payment of $1,000,000.

Amy and Silverknife Property

On February 10, 2021, the Company entered into a mineral property option agreement to acquire up to a 100% working interest in the Silverknife and Amy mineral properties in the Liard Mining Division in the Province of British Columbia, for consideration comprised of cash and the issuance of common shares of the Company, subject to TSX-V approval, which was received on February 25, 2021, and the Company paid $15,000 cash on February 4, 2021 and issued 100,000 common shares at a fair value of $19,500 to the optionors on March 4, 2021.

Pursuant to this agreement, the Company is required to make the following additional payments:

- $15,000 plus issue 200,000 common shares on or before February 10, 2022;
- $20,000 plus issue 400,000 common shares on or before February 10, 2023;
- $40,000 plus issue 500,000 common shares on or before February 10, 2024;.

The Company is committed to incurring exploration expenditures on the Amy and Silverknife Property totaling $60,000 as follows:

- $10,000 on or before February 10, 2022 (incurred);
- an additional $20,000 on or before February 10, 2023; and,
- an additional $30,000 on or before February 10, 2024.

There is a 2% NSR of which 1% can be purchased at any time by the Company from the optionors for $1,000,000.

Terra Nova Property

On October 22, 2020, the Company entered into a mineral property option agreement to earn up to a 100% working interest in the Terra Nova Property located in the Terra Nova District in Central Newfoundland, for consideration of cash only, $5,000 (paid) which was due on signing, and subsequent payments as follows:

- $10,000 on or before October 22 2021 (paid);
- $20,000 on or before October 22, 2022; and,
- $30,000 on or before October 22, 2023.

On the fifth anniversary date, an advance royalty is to be paid of $5,000 per year to the optionors and a NSR of which 1.0% can be purchased at any time by the Company for $1,000,000.

5. LOANS

Regional Relief and Recovery Fund Loan

During the year ended September 30, 2020, the Company applied for a $40,000 loan from Her Majesty the Queen in Right of Canada as represented by the Minister responsible for Western Economic Diversification Canada (the "Minister"), pursuant to the Regional Relief and Recovery Fund ("RRRF") program (the "RRRF Loan"). The RRRF Loan was made available on certain terms and conditions, and in reliance on attestations made by the Company in the loan agreement. During the year ended September 30, 2021, the Company received the $40,000.

The RRRF Loan is an interest-free loan, available to the Company until December 31, 2020. On January 1, 2021, the RRRF Loan will be converted to a 3-year, 0% interest term loan, to be repaid by December 31, 2022. If the Company repays $30,000 by December 31, 2022, a balance of $10,000 will be forgiven. If on December 31, 2022, the Company has not repaid the $30,000, it may exercise the option for a 3-year term extension and, accordingly, a 5% interest rate will be applied during this extension period on any balance remaining. Subsequent to September 30, 2021, the Government of Canada extended the December 31, 2022 repayment deadline to December 31, 2023.

The funds from the RRRF Loan may only be used by the Company to pay non-deferrable operating expenses including, without limitation, payroll, rent, utilities, insurance, property tax and regularly scheduled debt service, and may not be used to fund any payments or expenses such as prepayment/refinancing of existing indebtedness, payments of dividends, distributions and increases in management compensation. As such, the government grant was amortized and recognized in the statement of profit or loss over the year ending September 30, 2020; the period in which the Company recognized the related expenditures for which the balances were intended to compensate.

Upon initial receipt, the Company recorded the RRRF Loan at a fair value of $19,478, based on a prevailing market rate of 17%. The Company recorded the result of the benefit received from the interest-free RRRF Loan of $10,522 as a government grant. The portion of the forgivable RRRF Loan of $10,000 was also treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan.

During the year ended September 30, 2020, the government grant of $10,522 has been amortized and recognized in profit or loss. During the year ended September 30, 2021, the Company recorded $3,581 (2020 – $1,586) in interest on the RRRF Loan.

6. PREFERRED SHARES

The Company's subsidiary (0877887 B.C. Ltd.) issued 5,000 Class A non-voting preferred shares (the "Class A preferred shares") at a price of $100 per share, for total proceeds of $500,000. Attached to these preferred shares is an annual non-cumulative preferred cash dividend of 4.5% of the total, payable annually on March 31 of each year. To September 30, 2021, no dividends have been declared.

After April 9, 2015, redemption may be affected in whole or any number of the Class A preferred shares, if the Company is not insolvent at such time and that the redemption would not render the Company insolvent, as follows:

- Company: Upon giving no less than 10-day notice to the holders. If notice to redemption is given by the Company and holders of the Class A preferred shares fail to present and surrender the share certificates representing the shares called for redemption, the Company may deposit an amount sufficient to redeem the shares with any trust company or chartered bank of Canada and the holder will have no rights against the Company in respect of such shares except upon the surrender of certificates for such shares to receive payment; and
- Holder: Upon giving notice to the Company, the Company shall pay the holder within 30 days a redemption amount, in respect of each of the shares specified in the notice.

7. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company estimated the fair value of the liabilities for reclamation that arose as a result of past exploration activities to be $392,722 (2020 - $146,070) for the Bishop Mill Property and Silver Hart Property (Notes 3 and 4). The fair value of the liability was determined to be equal to the estimated remediation costs. The timing of the cash flow related to the reclamation activities is uncertain.

The Company was subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart mineral property pursuant to its exploration program. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date and known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The Company has accrued a provision of $146,070 (2020 -$146,070) by way of estimating its obligation to remediate the claim. This liability is secured by a Letter of Credit secured by a guaranteed investment certificate for the same amount which bore interest at 0.31% per annum and cashable at maturity and is included in reclamation bond at September 30, 2021 (secured by a significant shareholder in September 30, 2020).

8. SHARE CAPITAL

Authorized

Unlimited common shares, without par value
Unlimited Class A preferred share, non-voting, without par value

Issued common shares

As at September 30, 2021 – 94,507,500 (2020 – 66,345,385) common shares are issued and outstanding.

For the year ended September 30, 2021

On June 14, 2021, the Company issued 4,812,500 flow-through (FT) units at a price of $0.16 per FT unit and 2,286,735 non-flow-through (NFT) units at a price of $0.14 per NFT unit for gross proceeds of $1,090,143. The Company recognized a flow-through premium of $96,250. Each FT unit and each NFT unit comprises one common share and one transferable non-flow-through share purchase warrant exercisable on a 2:1 basis for a period of two years at a price of $0.30 per share, expiring on June 14, 2023. A fair value of $212,400 was allocated to the 3,549,618 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free-interest-rate – 0.32%, annual dividends – nil, expected life – 24 months, expected stock price volatility – 139%. The Company paid a cash fee of $18,410 and issued 115,063 finder's warrants to Red Cloud Securities Inc., equal to 7% of gross proceeds and units received from subscribers located by Red Cloud. A cash fee of $10,454 and issued 84,271 finder's warrants to German Mining Networks GmbH, equal to 6% of gross proceeds received from subscribers located by German Mining. Each finders warrants entitles the holder thereof to acquire one common share of the Company at a price of $0.30 per share expiring on June 14, 2023. The Company fair value the finders' warrants at $15,947 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.45%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 139%.

On March 4, 2021, the Company issued 100,000 common shares at a fair value of $19,500, pursuant to the Amy and Silverknife Property option agreement (Note 4).

On January 13, 2021, the Company completed a private placement of a total of 4,800,000 units at $0.125 per unit, for gross proceeds of $600,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable for a two-year period at $0.20 per share on 2:1 basis expiring January 13, 2023. A fair value of $226,050 was allocated to the 4,800,000 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.16%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 141%. The Company paid share issuance costs of $5,300 in relation to the private placement.

On December 15, 2020, the Company issued 100,000 common shares at a fair value of $12,000, pursuant to the Rancheria Property option agreement (Note 4).

On December 15, 2020, the Company issued 120,000 common shares at a fair value of $14,400 pursuant to the Bridal Veil Property option agreement (Note 4).

During the year ended September 30, 2021, the Company issued 15,942,880 common shares pursuant to the exercise of share purchase warrants for total proceeds of $1,119,645. Accordingly, the Company reallocated $478,525 from share-based payment reserve to share capital upon exercise of such warrants.

(Expressed in Canadian dollars)

8. SHARE CAPITAL – (cont'd)

For the year ended September 30, 2020

On November 20, 2019, the Company issued a total of 15,588,210 common shares at a fair value of $779,411 for settlement of debt totaling $1,091,175, to a significant shareholder of the Company, in settlement of the Silver Hart Property Loan and Promissory Notes. Accordingly, the Company recorded a gain on settlement of debt of $311,764 to the deficit account.

On June 4, 2020, the Company completed a non-brokered private placement of a total of 8,000,000 units at $0.0375 per unit, for gross proceeds of $300,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable for a one-year period at $0.05 per share expiring June 4, 2021. A fair value of $253,330 was allocated to the 8,000,000 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.27%; annual dividends - nil; expected life - 12 months; expected stock price volatility- 129%.

On July 27, 2020, the Company completed a non-brokered flow-through private placement of a total of 6,000,000 units at $0.08 per unit, for gross proceeds of $480,000. Each unit consists of one common share and one transferrable share purchase warrant exercisable on a 2:1 basis for a one-year period at $0.10 per share expiring July 27, 2021. A fair value of $157,025 was allocated to the 6,000,000 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.27%; annual dividends - nil; expected life - 12 months; expected stock price volatility- 119%. On issuance, the Company determined there was no flow-through share premium.

During the year ended September 30, 2020, the Company issued 3,207,120 common shares for proceeds of $185,356 pursuant to the exercise of warrants. Accordingly, the Company reallocated $99,890 from share-based payment reserve to share capital upon exercise of such warrants.

To September 30, 2020, the Company received $2,500 in advance for warrants exercised subsequently.

Volatility was determined based on the Company's historical data.

Stock options

The Company follows the policies of the TSX-V under which it would be authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years. The Company calculated the fair value of all stock-based compensation awards as determined using the Black-Scholes Option Pricing Model.

On January 13, 2021, the Company granted 2,010,000 stock options at a price of $0.20 per share expiring on January 13, 2026 to certain of its directors, officers, employees, and consultants of the Company pursuant to the Company's Rolling Share Option Plan. 1,760,000 of the options granted vest over 90 days, and 250,000 of the options granted vest in stages over a period of twelve months from the date of grant with no more than one-quarter of the options. The weighted average fair value of stock options granted was $324,012 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.36%; annual dividends - nil; expected life - 60 months; expected stock price volatility- 147%. During the year ended September 30, 2021, the Company recorded $323,940 in share-based payments for vested stock options.

On July 2, 2021, the Company granted 950,000 stock options to directors, officers and to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of $0.13 per share expiring on July 2, 2026 and vested at 25% every quarter with the first vesting on October 2, 2021. The fair value of the stock options of $117,705 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of $0.13; Risk-free interest rate of 0.78%; Dividend yield of nil; Expected volatility of 177%; Expected life of 5 years. During the year ended September 30, 2021, the Company recorded $60,102 in share-based payments for vested stock options.

Volatility was determined based on the Company's historical data.

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

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2019 and 2020	-	$-
Granted	2,960,000	$0.18
Balance, September 30, 2021	2,960,000	$0.18

(Expressed in Canadian dollars)

8. SHARE CAPITAL – (cont'd)

Stock options – (cont'd)

As at September 30, 2021, the Company had stock options outstanding enabling holders to acquire the following:

Number of Options	Vested	Weighted Average Remaining Life	Exercise Price per Option	Expiry Date
2,010,000	1,885,000		$0.20	January 13, 2026
950,000	-		$0.13	July 2, 2026
2,960,000	1,885,000	4.4 years		

Share-based payment reserve:

The share-based payment reserve records items recognized as share-based payments, expenses, and other share-based payments until such time that the stocks options or warrants are exercised at which time the corresponding amount will be transferred to share capital.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2019	8,400,000	$0.08
Issued	14,000,000	$0.07
Exercised	(3,207,120)	$0.06
Balance, September 30, 2020	19,192,880	$0.08
Issued	12,098,569	$0.26
Expired	(500,000)	$0.10
Exercised	(18,692,880)	$0.07
Balance, September 30, 2021	12,098,569	$0.26

As at September 30, 2021, the Company had share purchase warrants outstanding enabling holders to acquire the following:

Number of Share Purchase Warrants	Number of Share Purchase Warrants	Total Number of Share Purchase Warrant	Weighted Average Remaining Life	Exercise Price per Share	Expiry Date
2 for 1 basis	1 for 1 basis				
4,800,000	-	4,800,000		$0.20	January 13, 2023
7,099,235	199,334	7,298,569		$0.30	June 14, 2023
11,899,235	199,334	12,098,569	1.54 years		

9. RELATED PARTY TRANSACTIONS

The Company entered the following transactions with related parties:

a) incurred rent of $18,000 (2020 – $18,000) to a company controlled by a significant shareholder of the Company.
b) incurred secretarial fees of $63,300 (2020 – $34,800) to a company controlled by a significant shareholder of the Company which was recorded in office and miscellaneous.
c) incurred consulting fees, management fees and exploration expenditures of $204,879 (2020 - $244,265) to a director or a company controlled by a director and officer of the Company.
d) Incurred share-based payments of $298,803 (2020 - $Nil) to directors and officers of the Company.

On September 30, 2021, a total of $14,895 (2020 - $56,073) was owing to directors of the Company, unsecured, non-interest bearing, no specific terms of repayment.

On September 30, 2021, a total of $Nil (2020 - $5,531) was owing to a significant shareholder of the Company.

On September 30, 2020, the LOC secured for the provision for restoration and environmental obligation was guaranteed by companies controlled by a significant shareholder of the Company (Note 7).

10. FINANCIAL RISK AND CAPITAL MANAGEMENT

The fair value of the Company's financial assets and liabilities approximates its carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market data.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts.

The majority of cash is deposited in bank accounts held with one major bank in Canada. As most of the Company's cash is held in one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company's secondary exposure to risk is on its receivables and reclamation bond. This risk is minimal as receivables consist primarily of refundable government goods and services taxes and the reclamation bond are held with government authorities.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

The Company has a working capital deficiency at September 30, 2021. Liquidity risk is assessed as high.

Foreign exchange risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not hedge its exposure to fluctuations in foreign exchange rates. Foreign exchange risk is assessed as low.

(Expressed in Canadian dollars)

10. FINANCIAL RISK AND CAPITAL MANAGEMENT – (cont'd)

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The fair value of the Company's cash accounts are relatively unaffected by changes in short term interest rates. The Company's debt has a fixed interest rate and is not affected by changes in interest rates.

Capital management
The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital, net of accumulated deficit. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

11. INCOME TAXES

Provision for deferred tax

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

As of September 30, 2021, the Company has approximately $5,670,000 (2020 -$4,730,000) in non-capital losses, which expire commencing with the fiscal year ended September 30, 2028 and ending with the fiscal year ended September 30, 2041.

Flow-through shares

Under the IFRS framework, the increase to share capital when flow-through shares are issued is measured based on the current market price or concurrent non-flow-through share price of common shares. The incremental proceeds, or "premium", are recorded as deferred income.

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

During the year ended September 30, 2021, the Company received $770,000 from the issue of flow-through shares and has fully incurred the qualifying expenditures during the year ended September 30, 2021. A flow through premium liability of $96,250 was recognized as recovery of flow-through share premium during the year ended September 30, 2021.

During the year ended September 30, 2020, the Company received $480,000 from the issue of flow-through shares and has fully incurred the qualifying expenditures during the year ended September 30, 2020.

During the year ended September 30, 2019, the Company received $456,430 from the issue of flow-through shares and incurred $210,308 in eligible expenditures during the year ended September 30, 2019. During the year ended September 30, 2020, the Company incurred the remaining $246,122 in qualifying expenditures.

		2021		2020
Loss before income taxes	$	(3,040,580)	$	(949,393)
Statutory income tax rates		27%		27%
Expected tax recovery	$	(821,000)	$	(256,000)
Non-deductible expenses		133,000		1,000
True up and other differences		(543,000)		(31,000)
Tax benefits not recognized		1,231,000		286,000
Total current and deferred income tax recovery	$	-	$	-

(Expressed in Canadian dollars)

11. INCOME TAXES – (cont'd)

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

		2021		2020
Deferred income tax asset (liability)				
Non-capital loss carry-forwards	$	1,527,000	$	1,434,000
Undeducted financing cost		25,000		11,000
Exploration and evaluation assets		1,977,000		1,000,000
Other assets		876,000		927,000
		4,405,000		3,372,000
Unrecognized deferred tax assets		(4,405,000)		(3,372,000)
Deferred income tax asset, net	$	-	$	-

12. SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company:

The Company issued 7,500,000 flow-through (FT) units at a price of $0.10 per FT unit. Each FT unit consists of one common share of the company to be issued as a flow-through share within the meaning of the Income Tax Act (Canada) and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the company at a price of $0.15 per share on or before December 3, 2023. In connection to the financing the Company paid a finders fees of $45,500 and issued 455,000 non-transferable warrants exercisable at $0.10 per share expiring on December 3, 2023.

The Company acquired an option to earn up to a 100% working interest in the Rodney Pond property in the highly prospective Gander Subzone in central Newfoundland, subject to an option agreement with Nancy, Stephen and Larry Rogers (the prospectors) of Hare Bay, Nfld. Terms of the option agreement are subject to TSX Venture Exchange approval. Pursuant to the terms of the agreement, the Company will pay $10,000 and 50,000 common shares of the Company upon execution of the agreement and additional payments will be made on the first anniversary and in the following years to the prospectors as follows:

- First anniversary date, January 6, 2023: $10,000 cash and 50,000 common shares;
- Second anniversary date, January 6, 2024: $15,000 cash and 75,000 common shares;
- Third anniversary date, January 6, 2025: $25,000 cash and 125,000 common shares;
- In addition, the agreement provides for a conventional royalty of 2%, of which 1% can be purchased at any time by the company from the prospectors for $1-million.

The Company granted 2,500,000 stock options at a price of $0.12 per share to directors, officers and consultants of the Company. These stock options vest at the date of grant and expires five years from the date of grant.