



**STUHINI EXPLORATION LTD.  
FINANCIAL STATEMENTS  
(expressed in Canadian Dollars)  
FOR THE THREE AND SIX MONTHS  
ENDED AUGUST 31, 2021 AND 2020**

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**NOTICE OF NO AUDITOR REVIEW  
OF THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2021 & 2020**

The accompanying unaudited condensed interim financial statements of Stuhini Exploration Ltd. (the “Company”) for the three and six months ended August 31, 2021 and 2020, have been prepared by, and are the responsibility of, the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim statements by an entity’s auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

**STUHINI EXPLORATION LTD.**  
**STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED)**  
 (Expressed in Canadian Dollars)



<b>As at</b>	<b>Note</b>	<b>August 31, 2021</b>	<b>February 28, 2021</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 2,252,058	\$ 867,423
GST receivable		44,801	68,931
Prepaid expenses		67,142	162,078
Marketable securities	8	204,000	294,000
<b>Total current</b>		<b>2,568,001</b>	<b>1,392,432</b>
Exploration and evaluation assets	3	3,126,694	1,897,768
Reclamation bond		25,000	25,000
Property, plant, and equipment	4	250	378
<b>Total assets</b>		<b>\$ 5,719,945</b>	<b>\$ 3,315,578</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable		\$ 151,313	\$ 10,672
Accrued liabilities		92,323	27,984
Due to related parties	7	162,107	45,129
Flow-through share premium liability	6	144,571	-
<b>Total liabilities</b>		<b>550,314</b>	<b>83,785</b>
<b>Shareholders' equity</b>			
Share capital	5	5,995,495	3,960,800
Reserves	5	396,778	224,984
Deficit		(1,222,642)	(953,991)
<b>Total shareholders' equity</b>		<b>5,169,631</b>	<b>3,231,793</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 5,719,945</b>	<b>\$ 3,315,578</b>

Nature and continuance of operations (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on October 29, 2021:

“David O’Brien”  
 David O’Brien,  
 Director

“Josef Anthony Fogarassy”  
 Josef Anthony Fogarassy,  
 Director

**STUHINI EXPLORATION LTD.**  
**STATEMENTS OF NET AND COMPREHENSIVE LOSS**  
(UNAUDITED)  
(Expressed in Canadian Dollars)



		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>August 31,</b>		<b>August 31,</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Expenses:</b>					
Advertising and promotion		\$ 23,976	\$ 11,569	\$ 55,251	\$ 33,704
Amortization	4	40	89	128	286
Consulting fees	7	14,700	12,390	37,976	21,321
Office expenses		10,184	2,902	15,410	5,053
Project investigation costs	3,7	-	8,823	2,402	17,823
Professional fees	7	15,747	12,809	18,747	27,527
Regulatory fees		6,205	15,164	13,776	26,211
Share-based compensation	5,7	112,557	54,652	190,390	105,338
Travel, meals, and entertainment		-	2,404	-	3,160
<b>Operating expenses</b>		<b>(183,409)</b>	<b>(120,802)</b>	<b>(334,080)</b>	<b>(240,423)</b>
<b>Other items</b>					
Unrealized loss on marketable securities	8	(60,000)	-	(90,000)	-
Reversal of flow-through share premium	6	155,429	19,856	155,429	35,000
Part XII.6 tax		-	-	-	(730)
<b>Net and comprehensive loss</b>		<b>\$ (87,980)</b>	<b>\$ (100,946)</b>	<b>\$ (268,651)</b>	<b>\$(206,153)</b>
<b>Loss per share, basic and diluted</b>		<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
Weighted average number of common shares outstanding, basic and diluted					
		21,797,536	15,744,564	20,810,255	15,383,999

**STUHINI EXPLORATION LTD.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(UNAUDITED)**  
**(Expressed in Canadian Dollars)**



	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, February 29, 2020</b>	14,893,000	\$ 2,116,484	\$ 124,556	\$ (658,071)	\$ 1,582,969
Private placements	3,000,000	1,350,000	-	-	1,350,000
Share issuance costs	-	(21,298)	-	-	(21,298)
Shares issued for property	200,000	28,000	-	-	28,000
Shares issued on exercise of options	160,000	46,446	(13,884)	-	32,562
Shares issued on exercise of warrants	224,853	68,760	(23,790)	-	44,970
Share-based compensation	-	-	111,861	-	111,861
Net and comprehensive loss for the period	-	-	-	(206,153)	(206,153)
<b>Balance, August 31, 2020</b>	18,477,853	3,588,392	198,743	(864,224)	2,922,911
Flow-through share premium	-	(150,000)	-	-	(150,000)
Shares issued for property	1,250,000	512,500	-	-	512,500
Shares issued on exercise of options	40,000	9,908	(1,908)	-	8,000
Share-based compensation	-	-	16,560	-	16,560
Gain on debt forgiven by a shareholder	-	-	11,589	-	11,589
Net and comprehensive loss for the period	-	-	-	(89,767)	(89,767)
<b>Balance, February 28, 2021</b>	19,767,853	3,960,800	224,984	(953,991)	3,231,793
Private placements	4,000,000	2,300,000	-	-	2,300,000
Share issuance costs	-	(74,599)	-	-	(74,599)
Flow-through share premium	-	(300,000)	-	-	(300,000)
Shares issued for property	50,000	29,000	-	-	29,000
Shares issued on exercise of options	290,000	78,474	(17,973)	-	60,501
Shares issued on exercise of warrants	5,987	1,820	(623)	-	1,197
Share-based compensation	-	-	190,390	-	190,390
Net and comprehensive loss for the period	-	-	-	(268,651)	(268,651)
<b>Balance, August 31, 2021</b>	24,113,840	\$ 5,995,495	\$ 396,778	\$ (1,222,642)	\$ 5,169,631

**STUHINI EXPLORATION LTD.**  
**STATEMENTS OF CASH FLOWS**  
(UNAUDITED)  
(Expressed in Canadian Dollars)



	<b>Six months ended</b>	
	<b>August 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows generated by (used in) operating activities</b>		
Loss for the period	\$ (268,651)	\$ (206,153)
Items not affecting cash generated by (used in) operations		
Amortization	128	286
Reversal of flow-through share premium	(155,429)	(35,000)
Options granted for services	-	6,523
Share-based compensation	190,390	105,338
Unrealized loss on marketable securities	90,000	-
Changes in non-cash working capital items		
GST receivable	24,130	(35,726)
Prepaid expenses	94,936	(2,408)
Accounts payable	140,641	72,553
Accrued liabilities	64,339	27,562
Net cash generated by (used in) operating activities	180,484	(67,025)
<b>Cash flows used in investing activities</b>		
Exploration and evaluation assets	(1,199,926)	(726,237)
Net cash used in investing activities	(1,199,926)	(726,237)
<b>Cash flows provided by financing activities</b>		
Issuance of common shares for cash, net of issuance costs	2,225,401	1,328,702
Issuance of common shares on exercise of options	60,501	32,562
Issuance of common shares on exercise of warrants	1,197	44,970
Due to related parties	116,978	51,514
Net cash provided by financing activities	2,404,077	1,457,748
Increase in cash	1,384,635	664,486
Cash, beginning	867,423	957,103
Cash, ending	\$ 2,252,058	\$ 1,621,589
Non-cash transactions:		
Reclassification of exploration and evaluation assets to assets held for sale	\$ -	\$ 409,134
Reclassification of reclamation bond to assets held for sale	\$ -	\$ 42,000
Shares issued for property	\$ 29,000	\$ 28,000

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Stuhini Exploration Ltd. (the “Company”) was incorporated under the *Business Corporations Act* (British Columbia) on July 7, 2017. The Company is focused on acquisition, exploration, and development of mineral properties in Western Canada, namely the Provinces of British Columbia (“BC”), Manitoba, and the Yukon. The Company’s shares (“Common Shares”) are trading on the TSX Venture Exchange (the “Exchange”) under the symbol “STU”.

The Company’s head office and registered office address is 1245 Broadway W., Unit 105, Vancouver, BC V6H 1G7.

These condensed interim financial statements have been prepared with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company’s ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

### **Risks related to the continued expansion of the COVID-19 pandemic**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which continues as a pandemic, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. Up to this point, the impact of COVID-19 on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments and continues to adjust its exploration program and operations in compliance with such practices.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

### a) Statement of Compliance and Basis of Presentation

These unaudited condensed interim financial statements have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards (“IFRS”) IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The unaudited condensed interim financial statements, prepared in conformity with accounting policies consistent with IAS 34, follow the same accounting principles and methods of application as the most recent audited annual financial statements. Since the unaudited condensed interim financial statements do not include all disclosures required by the IFRS for annual financial statements, they should be read in conjunction with the Company’s audited annual financial statements for the reporting period ended February 28, 2021.

### b) Basis of Measurement and Use of Estimates

The unaudited condensed interim financial statements of the Company have been prepared on an accrual basis and are based on historical costs except for cash flow information. All amounts are expressed in Canadian dollars, the Company’s functional and reporting currency.

The preparation of financial statements in compliance with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

### c) Accounting standards issued but not yet effective

A number of new accounting standards, amendments to standards, and interpretations have been issued but not yet effective up to the date of issuance of the Company's unaudited condensed interim financial statements. The Company intends to adopt the standards when they become effective. The Company has not yet determined the impact of these standards on its financial statements but does not anticipate that the impact will be significant.

## 3. EXPLORATION AND EVALUATION ASSETS

As of August 31, 2021, the Company's interest in exploration and evaluation assets consisted of the Ruby Creek, the Que, the South Thompson, and the Big Ledge Properties. The costs incurred on the Company's exploration and evaluation properties are summarized as follows:

### As at August 31, 2021

	Ruby Creek Property	Que Property	South Thompson Property	Big Ledge Property	Total
Total exploration and evaluation assets, February 28, 2021	\$ 1,682,065	\$ 215,703	\$ -	\$ -	\$ 1,897,768
Mineral tenure/lease payments	49,300	-	26,561	-	75,861
Acquisition/option payments	60,000	29,000	-	10	89,010
Sub-total, acquisition costs	109,300	29,000	26,561	10	164,871
Deferred exploration costs:					
Assaying	54,251	-	-	-	54,251
Camp and travel	159,978	-	-	-	159,978
Equipment use/rental	130,465	-	-	-	130,465
Geology	711,100	93	7,868	300	719,361
Sub-total, deferred exploration costs	1,055,794	93	7,868	300	1,064,055
Total exploration and evaluation assets, August 31, 2021	\$ 2,847,159	\$ 244,796	\$ 34,429	\$ 310	\$ 3,126,694

### As at February 28, 2021

	Metla Property	Ruby Creek Property	Que Property	Total
Total exploration and evaluation assets, February 29, 2020	\$ 409,134	\$ 259,195	\$ -	\$ 668,329
Option payments	-	512,500	28,000	540,500
Professional fees	-	-	6,165	6,165
Mineral tenure/lease payments	-	53,908	-	53,908
Sub-total, acquisition costs	-	566,408	34,165	600,573
Deferred exploration costs:				
Assaying	-	100,933	16,555	117,488
Camp and travel	-	67,685	3,013	70,698
Drilling	-	-	47,000	47,000
Equipment use/rental	-	154,082	1,470	155,552
Geology	-	535,915	113,500	649,415
Sub-total, deferred exploration costs	-	858,615	181,538	1,040,153



### 3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	Metla Property	Ruby Creek Property	Que Property	Total
Exploration tax credit	-	(2,153)	-	(2,153)
Reclassification to assets held for sale	(409,134)	-	-	(409,134)
Total exploration and evaluation assets, February 28, 2021	\$ -	\$ 1,682,065	\$ 215,703	\$ 1,897,768

#### Ruby Creek Property

On July 30, 2019, the Company entered into an option agreement (the "Ruby Creek Option Agreement") with Global Drilling Solutions Inc. ("Global Drilling"), a private BC Company wholly owned by Mr. Hanslit, the Company's co-founder and a major shareholder, whereby the Company was granted a right to acquire a 100% interest in Global Drilling's Ruby Creek Property (the "Ruby Creek Option"). The Ruby Creek Property is located within the Atlin Mining Division of BC approximately 20 kilometres ("km") east of Atlin and, as initially acquired, consisted of 50 contiguous mineral claims of which one is a mining lease.

Based on the Ruby Creek Option Agreement, to fully exercise its Ruby Creek Option, the Company is required to issue a total of 7,300,000 Common Shares and make cash payments for a total of \$1,060,000 over a four-year term, as detailed in the table below. Upon exercise of the Ruby Creek Option, Global Drilling would be entitled to a 1% NSR on the Ruby Creek Property.

Date	Common Shares	Cash Payments
December 31, 2019 (shares issued)	800,000	\$ -
On or before December 31, 2020 (shares issued)	1,250,000	-
On or before December 31, 2021	1,750,000	120,000
On or before December 31, 2022	1,750,000	300,000
On or before December 31, 2023	1,750,000	640,000
Total	7,300,000	\$ 1,060,000

In July of 2021 the Company acquired from Brixton Metals Corporation ("Brixton") an additional five (5) contiguous mineral claims (the "Island Claims") that are contiguous with the claims included in the Ruby Creek Property. The Company paid \$60,000 to acquire the Island Claims, no additional fees or work requirements are payable under the acquisition agreement with Brixton other than a 1% NSR retained by Brixton as well as an additional 1% NSR to unrelated third parties from whom Brixton originally acquired these claims. The new claims therefore have a cumulative 2% NSR and were added to the Ruby Creek Property increasing the size of the Ruby Creek Property to 55 claims totalling roughly 28,631 hectares.

In addition to the \$60,000 cash payment the Company made to Brixton, during the six-month period ended August 31, 2021, the Company paid \$49,300 annual lease payment for the mining claim included in the Ruby Creek Property and spent \$1,055,794 in deferred exploration costs associated with the exploratory program on the Ruby Creek Property.

#### Que Property

On February 17, 2020, the Company entered into an option agreement (the "Que Option Agreement"), whereby the Company was granted a right to acquire a 100% interest in the Que Property (the "Que Option") located in southcentral Yukon. The Que Option Agreement was amended and restated with the vendors on February 28, 2020 (the "Amended Que Option Agreement"). The Que Option Agreement, as amended and restated, was conditional on acceptance for filing by the Exchange, which was received on April 1, 2020. The Que Property consisted of 108 mineral claims and

### 3. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

#### Que Property (Continued)

was 2,246 hectares in size. During the year ended February 28, 2021, the Company staked an additional 96 claims (1,996 hectares) bringing the entire claims package to 204 claims (4,243 hectares).

Based on the Amended Que Option Agreement, to fully exercise its Que Option, the Company was required to issue a total of 2,950,000 Common Shares and make cash payments for a total of \$380,000 over a four-year term to the Que vendors. Upon receipt of assays showing no significant mineralization from a shallow early stage 2-hole drill program, the Company commenced renegotiating the Amended Que Option Agreement. The further amended and restated option agreement (the “Que Amendment 2”) was announced on October 26, 2020.

The table below compares the initial Amended Que Option Agreement schedule of the Option payments and the renegotiated terms under the Que Amendment 2:

Date	Amended Que Option Agreement		Que Amendment 2	
	Common Shares	Cash Payment	Common Shares	Cash Payment
April 1, 2020 (Common Shares issued)	200,000	\$ -	200,000	\$ -
1st Anniversary of Approval <sup>(1)</sup>	300,000	-	50,000	-
2nd Anniversary of Approval	450,000	-	75,000	-
3rd Anniversary of Approval	500,000	140,000	112,500	-
4th Anniversary of Approval	1,500,000	240,000	125,000	35,000
5th Anniversary of Approval	-	-	375,000	60,000
<b>Total</b>	<b>2,950,000</b>	<b>\$ 380,000</b>	<b>937,500</b>	<b>\$ 95,000</b>

(1) On June 22, 2021, the Company entered into the 3<sup>rd</sup> Que Option Amendment, which extended the option payment initially payable on the 1<sup>st</sup> Anniversary of Approval, being issuance of 50,000 Common Shares of the Company, to June 22, 2021, on mutual agreement of the parties to the Que Option Agreement. In addition, the 3<sup>rd</sup> Que Option Amendment specified all option payments as well as the NSR to be apportioned to the Que Vendors as to 80% to Mr. Lindsay and 20% to Ms. MacDougall.

On June 22, 2021, the Company issued 50,000 shares to the Que Vendors, the shares were valued at \$29,000. During the six-month period ended August 31, 2021, the Company spent \$93 in deferred exploration costs associated with the work carried out on the Que Property.

#### South Thompson Property

During the six-month period ended August 31, 2021, the Company staked seven mineral exploration licenses (“MEL”) totalling approximately 47,509 hectares along the southern extent of the Thompson Nickel Belt, approximately 35 km northwest of Grand Rapids, Manitoba (the “South Thompson Property”). The Company paid a total of \$26,561 in staking fees. During the same period, the Company spent \$7,868 in deferred exploration costs associated with the South Thompson Property.

#### Big Ledge Property

On July 26, 2021, the Company acquired the Big Ledge Property located in southeastern BC roughly 57 km south of the city of Revelstoke. The Big Ledge Property was acquired from a director to the Company for nominal consideration of \$10. The Big Ledge Property is roughly 5,094 hectares in size. No royalties, finder’s fees or work commitments are associated with this property or the transaction. During the six-month period ended August 31, 2021, the Company spent \$300 in deferred exploration costs associated with the Big Ledge Property.

#### 4. PROPERTY, PLANT, AND EQUIPMENT

A continuity of the Company's equipment is as follows:

	Office Equipment		Total
<b>Cost</b>			
Balance, February 28, 2021, and August 31, 2021	\$	1,935	\$ 1,935
<b>Accumulated Amortization</b>			
Balance, February 29, 2020	\$	1,094	\$ 1,094
Additions		463	463
Balance, February 28, 2021		1,557	1,557
Additions		128	128
Balance, August 31, 2021	\$	1,685	\$ 1,685
<b>As at February 28, 2021</b>	\$	378	\$ 378
<b>As at August 31, 2021</b>	\$	250	\$ 250

#### 5. SHARE CAPITAL

##### Authorized share capital

- Unlimited number of Common Shares without par value.

##### Share issuances during the six-month period ended August 31, 2021

On July 23, 2021, the Company completed its non-brokered private placement financing announced on June 17, 2021, issuing 2,000,000 Common Shares that qualify as "flow-through shares" for the purposes of the Income Tax Act (Canada) ("FT Shares") at a price of \$0.65 per FT Share and 2,000,000 Common Shares at a price of \$0.50 per Common Share for aggregate gross proceeds to the Company of \$2,300,000 (the "July Offering"). The FT Shares and the Common Shares are subject to a hold period that expires on November 24, 2021. The Company paid \$28,995 in finder's fees associated with the July Offering. The Company recognized \$45,604 incurred in legal and regulatory fees as part of transaction costs. The premium received on the FT Shares issued was determined to be \$300,000 and was recorded as a share capital reduction. An equivalent premium liability was recorded, and as at August 31, 2021, \$155,429 were recognized in income upon qualified exploration expenditures being incurred (Note 6).

During the six-month period ended August 31, 2021, the Company issued 290,000 Common Shares on exercise of the options to acquire Common Shares. The Company received \$60,501 on exercise of the share purchase options, which were originally valued at \$17,973.

During the six-month period ended August 31, 2021, the Company issued 5,987 Common Shares on exercise of warrants for total cash proceeds of \$1,197. The warrants were originally valued at \$623.

##### Stock purchase options

The Company has adopted a Rolling Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees, and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding Common Shares at the time of the grant. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

On January 18, 2021, the Company granted options to acquire up to 625,000 Common Shares to its officers, directors, and consultants. These options vest quarterly over a 12-month period from the date of grant in equal amounts starting on April 18, 2021, and expire on July 18, 2023. During the six-month period ended August 31, 2021, the Company

## 5. SHARE CAPITAL (CONTINUED)

### Stock purchase options (Continued)

recognized \$118,331 as share-based compensation associated with these options, which was determined using the Black-Scholes option pricing model (Note 7).

The following assumptions were used to estimate the weighted average fair values for the options granted:

Expected Life of the Options	2.5 years
Risk-Free Interest Rate	0.15%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	108%
Grant Date Fair Value	\$0.50

On August 6, 2021, the Company granted options to acquire up to 445,000 Common Shares to its officers, directors, and consultants. These options vest quarterly over a 12-month period from the date of grant in equal amounts starting on November 6, 2021, and expire on February 6, 2024. During the six-month period ended August 31, 2021, the Company recognized \$21,837 as share-based compensation associated with these options, which was determined using the Black-Scholes option pricing model (Note 7).

The following assumptions were used to estimate the weighted average fair values for the options granted:

Expected Life of the Options	2.5 years
Risk-Free Interest Rate	0.48%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	104%
Grant Date Fair Value	\$0.59

On August 6, 2021, the Company granted an option to acquire up to 100,000 Common Shares to its new member of advisory board. The option vests quarterly over a 12-month period from the date of grant in equal amounts starting on November 6, 2021, and expires on August 6, 2023. During the six-month period ended August 31, 2021, the Company recognized \$4,509 as share-based compensation associated with this option, which was determined using the Black-Scholes option pricing model.

The following assumptions were used to estimate the weighted average fair value for the option granted:

Expected Life of the Options	2 years
Risk-Free Interest Rate	0.48%
Expected Dividend Yield	Nil
Expected Stock Price Volatility	105%
Grant Date Fair Value	\$0.59

On August 6, 2021, the Company ratified a grant of options to acquire up to 200,000 Common Shares to its consultant for investor relations services. The option to acquire up to 100,000 Common Shares was dated effective February 23, 2021, expiring on February 23, 2023, and the option to acquire remaining 100,000 Common Shares was dated effective May 23, 2021, expiring on May 23, 2023. Both options vest quarterly over a 12-month period, from the effective date in equal amounts. During the six-month period ended August 31, 2021, the Company recognized \$45,713 as share-based compensation associated with these options, which was determined using the Black-Scholes option pricing model.

## 5. SHARE CAPITAL (CONTINUED)

### Stock purchase options (Continued)

The following assumptions were used to estimate the weighted average fair value for the options granted:

	February 23, 2021	May 23, 2021
Expected Life of the Options	2 years	2 years
Risk-Free Interest Rate	0.23%	0.33%
Expected Dividend Yield	Nil	Nil
Expected Stock Price Volatility	109%	106%
Grant Date Fair Value	\$0.59	\$0.69

A continuity of options for the six months ended August 31, 2021, and for the year ended February 28, 2021, are as follows:

	Six months ended August 31, 2021		Year ended February 28, 2021	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	1,830,000	\$0.31	1,405,000	\$0.22
Granted	745,000	\$0.60	675,000	\$0.48
Exercised	(290,000)	\$0.21	(200,000)	\$0.20
Expired	-	n/a	(50,000)	\$0.23
Options outstanding, ending	2,285,000	\$0.42	1,830,000	\$0.31
Options exercisable, ending	1,302,500	\$0.31	1,205,000	\$0.22

The options outstanding and exercisable at August 31, 2021, are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Weighted Average Remaining Life	Expiry Date
535,000	535,000	\$ 0.20	2.93	August 6, 2024
380,000	380,000	\$ 0.25	3.50	February 28, 2025
625,000	312,500	\$ 0.50	1.88	July 18, 2023
100,000	50,000	\$ 0.60	1.48	February 23, 2023
100,000	25,000	\$ 0.60	1.73	May 23, 2023
445,000	-	\$ 0.60	2.44	February 6, 2024
100,000	-	\$ 0.60	1.93	August 6, 2023
2,285,000	1,302,500	\$ 0.42	2.48	

### Stock purchase warrants

A continuity of warrants for the six months ended August 31, 2021, and for the year ended February 28, 2021, are as follows:

	Six months ended August 31, 2021		Year ended February 28, 2021	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	5,987	\$0.20	230,840	\$0.20
Exercised	(5,987)	\$0.20	(224,853)	\$0.20
Warrants outstanding, ending	-	n/a	5,987	\$0.20

## 6. FLOW-THROUGH SHARE PREMIUM LIABILITY

	August 31, 2021	February 28, 2021
Balance, beginning	\$ -	\$ 35,000
Share premium liability on flow-through shares	300,000	150,000
Reversal recognized upon expenditures being incurred	(155,429)	(185,000)
Balance, ending	\$ 144,571	\$ -

On July 23, 2021, the Company issued 2,000,000 Flow-through Shares at a price of \$0.65 per FT Share (Note 5). The premium received on the FT Shares issued was determined to be \$300,000 and was recorded as a share capital reduction. An equivalent premium liability was recorded and is being reduced as and when the qualified exploration expenditures occur. During the six-month period ended August 31, 2021, the Company recorded \$155,429 in income that resulted from the flow-through share premium.

On August 14, 2020, the Company issued 1,000,000 Flow-through Shares at a price of \$0.55 per FT Share. The premium received on the FT shares issued was determined to be \$150,000 and was recorded as a share capital reduction. An equivalent premium liability was recorded and was being reduced as and when the qualified exploration expenditures occurred. During the year ended February 28, 2021, the Company recorded \$150,000 in income that resulted from the flow-through share premium.

## 7. RELATED PARTY TRANSACTIONS

Related parties include the directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole.

The Company incurred the following transactions with related parties, including key management personnel:

	August 31, 2021	August 31, 2020
Consulting fees paid or accrued to the Company's CEO	\$ 12,000	\$ 12,000
Accounting and consulting fees paid or accrued to the Company's CFO	9,750	4,000
Consulting fees paid to the Company's Corporate Secretary	13,379	6,321
Project management and mineral exploration fees paid or accrued to an entity controlled by the common-law spouse of the Company's co-founder and major shareholder	12,000	12,000
Mineral exploration and general business consulting fees paid or accrued to an entity controlled by the VP of Exploration	57,972	-
Property acquisition fee accrued to a director of the Company	10	-
Share-based compensation for options granted to directors and officers	103,811	80,271
Payroll expenses on stock options exercised by directors and officers	4,791	-
Total related party transactions	\$ 213,713	\$ 114,592

Amounts due to related parties consist of amounts owed directly to the officers and directors of the Company, or to the companies controlled by them, for the professional services or for the expenses incurred on behalf of the Company. These amounts are unsecured, non-interest bearing, and due on demand. At August 31, 2021, the Company owed a total of \$162,107 (February 28, 2021 - \$45,129) to its related parties.

## 8. MARKETABLE SECURITIES

The Company's marketable securities consist of 1,200,000 common shares of Brixton (the "BBB Shares"), which the Company received on sale of its Metla Property during the fiscal 2021 year. BBB Shares are listed on the TSX Venture Exchange under the symbol "BBB".

At August 31, 2021, the investment in BBB Shares was valued at \$204,000 (February 28, 2021 - \$294,000) based on the closing market share price of \$0.17 (February 28, 2021 - \$0.245 per share). The Company records its marketable securities as Fair Value Through Profit or Loss (FVTPL). During the six-month period ended August 31, 2021, the Company recognized a loss of \$90,000 on revaluation of its securities to their fair market value.

## 9. FINANCIAL INSTRUMENTS AND RISKS

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 at the fair value hierarchy are:

Level 1 — quoted prices in active markets for identical assets and liabilities.

Level 2 — observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 — unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Company has classified its cash as measured at fair value in the statement of financial position using level 1 inputs. Accounts payable, accrued liabilities, and amounts due to related parties are classified as other liabilities, and their fair values approximate their carrying values due to the short terms to maturity.

### **Risk management**

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk and liquidity risk. Management, the Board of Directors, and the Audit Committee monitor risk management activities and review the adequacy of such activities.

#### *Credit risk:*

Credit risk is the risk of potential loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, which is held with a high-credit quality financial institution, and amounts receivable from the Government of Canada. As such, the Company's credit risk exposure is minimal.

#### *Market risk:*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### *i. 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 Company has minimal interest rate risk as it has no interest accumulating financial assets that may become susceptible to interest rate fluctuations.

##### *ii. Currency risk:*

Foreign currency risk is the risk that the fair values of future cash flows of a financial instruments will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has minimal financial risk arising from fluctuations in foreign exchange rates as the Company does not own foreign currency denominated financial assets or liabilities.

## **9. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**

### **Risk management (Continued)**

#### *iii. Equity price risk:*

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is exposed to equity price risk as a result of its investment in marketable securities following the sale of the Metla Property in exchange for common shares of Brixton.

#### *Liquidity risk:*

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. As at August 31, 2021, the Company had cash of \$2,252,058 to settle current financial liabilities of \$550,314, of which \$144,571 were associated with flow-through share premium liability.

## **10. SUBSEQUENT EVENT**

Subsequent to August 31, 2021, the Company issued 48,936 Common Shares in settlement of a debt of \$23,000 owing to the Company's Vice-President Exploration.