CONQUEST RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

To the Shareholders of
Conquest Resources Limited,

We have audited the financial statements of Conquest Resources Limited, which comprise the statement of consolidated financial position as at December 31, 2021, and the consolidated statement of operations and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows as at and for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Other Matter

The consolidated financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on April 20, 2021.

Financing Risk

We draw attention to Note 1 to these consolidated financial statements, which indicates that as at December 31, 2021 the Company has an accumulated deficit and expects to incur further losses in the development of its business. Note 1 also describes that the Company's ability to fund future operations and exploration activities is dependent upon its ability to obtain external financing. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information is comprised of the information included in 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 Management's Discussion and Analysis 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 IFRS, 3 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 executive on the audit resulting in this Independent Auditor's Report is Marco F. Simone.

April 28, 2022

Simone + Company.

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021 and 2020
Expressed in Canadian dollars

	Notes	2021 $	2020 $ Note 3(m)
ASSETS			
Current			
Cash and cash equivalents		1,949,588	5,042,673
HST recoverable		109,964	152,023
Marketable securities	5	-	156,640
Prepaid expense		20,160	12,908
Total assets		2,079,712	5,364,244
LIABILITIES			
Current			
Amounts payable and accrued liabilities	7	335,317	518,140
Flow-through share premium liability		-	102,507
Total liabilities		335,317	620,647
SHAREHOLDERS' EQUITY			
Capital stock	8	23,988,978	23,603,978
Warrants	9	719,796	719,796
Share-based payment reserve	10/11	931,965	684,929
Deficit		(23,896,344)	(20,265,106)
Total shareholders' equity/(deficiency)		1,744,395	4,743,597
Total liabilities and shareholders' equity		2,079,712	5,364,244

Nature of operations (Note 1)
Commitments and contingencies (Notes 1, 5 and 11)

The financial statements were approved by the Board of Directors on April 28, 2022 and signed on its behalf by:

Signed “John F. Kearney” , Director

Signed “Tom Obradovich” , Director

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
Expressed in Canadian dollars

	Notes	2021 $	2020 $
Expenses			
Exploration and evaluation expenses	4/6	2,857,794	4,506,506
Share-based payment	10/11	641,569	168,152
Corporate expenses		270,174	102,376
Professional fees	12	337,271	263,484
Office and general		39,527	28,485
Loss before other items		4,146,335	5,069,003
Other items			
Flow-through share premium		(102,507)	(293,633)
Interest income		(7,142)	-
Gain on settlement of debt	8	-	(57,792)
Change in fair value of marketable securities	5	-	(16,020)
Gain on disposal of marketable securities	5	(10,915)	(5,115)
Net loss and comprehensive loss for the year		4,025,771	4,696,443
Net loss per common share			
- Basic and diluted		0.030	0.067
Weighted average common share outstanding			
- Basic and diluted		134,170,257	70,132,044

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
Expressed in Canadian dollars

	Number of Common Shares (Note 7)	Capital Stock $	Warrants $	Share-Based Payment Reserve $	Deficit (Note 3(b)) $	Total $
Balance January 1, 2020	49,589,322	15,484,532	21,389	-	(15,577,219)	(71,298)
Acquisition of Canadian Continental Exploration Corp.	40,306,667	3,746,505	-	390,050	-	4,136,555
Proceeds from private placement	40,435,269	5,414,632	-	-	-	5,414,632
Shares issued to acquire mineral right	100,000	18,000	-	-	-	18,000
Stock options issued	-	(126,727)	-	294,879	-	168,152
Shares issued in settlement of debt	1,155,848	86,689	-	-	-	86,689
Share issue costs	-	(182,180)	-	-	-	(182,180)
Reserve for warrants	-	(728,544)	728,544	-	-	-
Share premium liability	-	(318,010)	-	-	-	(318,010)
Exercise of warrants	1,000,000	209,081	(21,581)	-	-	187,500
Warrants expired	-	-	(8,556)	-	8,556	-
Loss for the year	-	-	-	-	(4,696,443)	(4,696,443)
Balance December 31, 2020	132,587,106	23,603,978	719,796	684,929	(20,265,106)	4,743,597
Stock options issued	-	-	-	641,569	-	641,569
Shares issued to acquire mineral right	2,250,000	385,000	-	-	-	385,000
Stock options expired	-	-	-	(394,533)	394,533	-
Loss for the year	-	-	-	-	(4,025,771)	(4,025,771)
Balance December 31, 2021	134,837,106	23,988,978	719,796	931,965	(23,896,344)	1,744,395

See accompanying notes to the consolidated financial statements

CONQUEST RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
Expressed in Canadian dollars

	2021 $	2020 $
Cash flows from operating activities		
Net loss for the year	(4,025,771)	(4,696,443)
Flow-through share premium	(102,507)	(293,633)
Gain on settlement of debt	-	(57,792)
Non-cash acquisition, exploration and evaluation expenditure	385,000	3,589,432
Share-based payments	641,569	168,152
Gain on disposal of marketable securities	(10,915)	(5,115)
Change in fair value of marketable securities	-	(16,020)
	(3,112,624)	(1,311,419)
Movements in working capital		
Increase in amounts receivable and prepaid expenses	34,807	(105,711)
Decrease in accounts payable and accrued liabilities	(182,823)	134,317
Net cash used in operating activities	(3,260,640)	(1,282,813)
Cash flows from investing activities		
Cash and cash equivalents received in CCEC transaction	-	513,690
Proceeds from disposal of marketable securities	167,555	139,810
	167,555	653,500
Cash flows from financing activities		
Proceeds from issue of shares	-	5,414,632
Exercise of warrants	-	187,500
Share issue costs	-	(182,180)
Net cash received from financing activities	-	5,419,953
Change in cash and cash equivalents	(3,093,085)	4,790,639
Cash and cash equivalents, beginning of year	5,042,673	252,034
Cash and cash equivalents, end of year	1,949,588	5,042,673
Supplemental information:		
Shares issued to acquire mineral rights	385,000	18,000
Shares and options issued to acquire CCEC	-	4,136,555
Shares issued for debt	-	86,689
Power One options granted	-	(126,727)

See accompanying notes to the consolidated financial statements

1. NATURE OF OPERATIONS

Conquest Resources Limited (the “Company” or “Conquest”) has interests in exploration and evaluation properties located in northern Ontario. Substantially all of the Company's efforts are devoted to acquiring, exploring and developing these properties. Conquest is a public company listed on the TSX Venture Exchange (“TSX-V”) and trades under the symbol “CQR.V”. The Company’s head office is located at 55 University Ave, Suite 1805, Toronto, Ontario, M5J 2H7.

There has been no determination whether the Company’s interests in its properties contain mineral resources which are economically recoverable. Major expenditures are required to locate and establish mineral deposits, to develop metallurgical processes and to construct mining and processing facilities. The Company’s continued existence is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition. The Company’s exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company’s existing permits will be renewed or that new permits that have been applied for will be granted. The Company has taken steps to verify title to properties in which it has an interest in accordance with industry standards for the current stage of development of such properties, however, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory requirements. The Company’s properties may also be subject to increases in taxes and royalties, renegotiating contracts, and political uncertainty.

The Company’s operations could be significantly adversely affected by the ongoing effects of the global spread of the contagious coronavirus, causing the outbreak of COVID-19 respiratory disease which was declared a pandemic by the World Health Organization on March 11, 2020. The Company cannot predict the future impact the COVID-19 pandemic will have on its operations, including uncertainties relating to the duration of the outbreak, the impact on schedules and timelines for planned operations or exploration programs and the length of travel and quarantine restrictions imposed by governmental authorities. In addition, this widespread health crisis has adversely affected the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations. The COVID-19 pandemic has not made a material impact on the Company’s operations as at December 31, 2021.

At December 31, 2021, the Company had not achieved profitable operations, had an accumulated deficit since inception and expects to incur further losses in the development of its business. These consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for the next fiscal year at the minimum. The Company continues to evaluate its estimates and assumptions based on its historical performance and other factors including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The policies set out below were consistently applied to all the periods presented, unless otherwise noted.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company, being its wholly owned subsidiaries Northern Nickel Mining Inc., Eaglerock Minerals Ltd. and Baobab Minerals Inc. (inactive). Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All material intra-company transactions, balances, income, and expenses are eliminated on consolidation.

Effective January 31, 2021, the Company's two wholly owned subsidiaries Northern Nickel Mining Inc. and Eaglerock Mineral Limited were amalgamated into Conquest. Consequently, these consolidated financial statements include the results of the two subsidiaries up to and including January 30, 2021.

(b) Acquisition, exploration, and evaluation expenditures

Costs incurred to acquire mineral properties, rights and claims together with exploration and evaluation costs are expensed as incurred and included in the consolidated statement of operations until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine will be capitalized to mineral properties. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they directly relate to specific projects.

Note 3(m) outlines the Company's change of accounting policies in the recognition of acquisition costs during the year ended December 31, 2020.

The Company may occasionally enter into transfer-out arrangements, whereby the Company transfers part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures that would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is recorded to reduce the amount of acquisition cost, exploration, and evaluation expenditures in the consolidated statement of operations.

(c) Rehabilitation provisions

The Company will record a liability for the estimated future costs associated with legal and constructive obligations relating to the reclamation and closure of its exploration assets. This amount will be initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its mineral property interests and therefore no such liability has been recorded at December 31, 2020 and 2019.

(d) Impairment of non-financial assets

At the end of each reporting period, non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly. Any impairment is recognized in operations.

(e) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having original terms to maturity of 90 days or less when acquired.

(f) Financial instruments

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations. Cash and amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company measures its marketable securities at FVPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss in the consolidated statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of operations when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases, and the decrease can be objectively related to an event occurring after the initial impairment was recognized. The Company has no financial assets subject to impairment at December 31, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements operations.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

(g) Functional and presentation currencies
The functional currency of the Company and its subsidiaries is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items denominated in foreign currencies are retranslated at the rates prevailing on the transaction dates. Foreign currency translation differences are recognized in the consolidated statement of operations.

(h) Flow-through financing
The Company finances a portion of its project exploration activity through the issuance of flow-through shares.

Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to investors and deferred income tax expense and income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the closing market price of the Company's shares is allocated to liabilities as share premium liability. The share premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized through profit or loss.

Where the Company has unused tax benefits on loss carry forwards and tax pools in excess of book value available for deduction which have not been previously accounted for as deferred tax assets, the Company records a deferred tax asset to offset the increase in deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized through profit or loss in the reporting period.

(i) Share-based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company records compensation cost using the fair value method of accounting for share-based payments. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as share-based payments expense and share-based payment reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, is credited to capital stock. On expiry, any related amount in share-based payment or warrant reserve is credited to deficit.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

Key sources of estimation uncertainty
Preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty are discussed below:

Mineral resource estimates
Mineral resources are estimated in accordance with Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves, Definitions and Guidelines and disclosed in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects" issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

Share-based payments
Estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Income, sales, withholding and other taxes
The Company is subject to income, sales, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, sales, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Assets' carrying values and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Contingencies
See note 11

Estimation of rehabilitation provisions and asset retirement obligations and the timing of expenditure
The estimated future costs associated with legal and constructive obligations relating to the reclamation, rehabilitation and closure of exploration assets are updated annually during the life of a project to reflect known developments, (e.g., revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is estimated based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Loss per share
Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would decrease loss per share. As a result, all outstanding convertible securities during the years ended December 31, 2021 and 2020 have been excluded from diluted loss per share.

(l) Income taxes
Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Changes in Accounting Policies
During the year ended December 31, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards that became effective during the fiscal year. These included IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8, IFRS 3 – Business Combinations, ("IFRS 3") IFRS 10 – Consolidated Financial Statements ("IFRS 10"), and IAS 28. These new standards and changes did not have any material impact on the Company's financial statements.

In addition, during the year ended December 31, 2020, the Company made a voluntary change of accounting policy to expense costs incurred to acquire mineral properties, rights and claims prior to the establishment of technical feasibility and commercial viability of extracting mineral resources. The change of accounting policy resulted in all expenditures, including the acquisition, exploration, and evaluation costs, associated with such early-stage mineral properties and projects being recognized as expenses on the statements of operations and comprehensive loss. Prior to the change of accounting policy, acquisition costs were capitalized as assets while exploration and evaluation costs were expensed.

The voluntary change of accounting policy is applied retrospectively to all periods presented in these consolidated financial statements. Accordingly, the amounts capitalized at December 31, 2019 in total of $627,901 have been expensed retrospectively, resulting in the elimination of the mineral property and investment in mineral rights assets previously reported at December 31, 2019, and an increase to the opening balance of deficit in the consolidated statements of financial position as at December 31, 2019.

(n) New standards and interpretations not yet adopted
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined. However early adoption is permitted.

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

Expressed in Canadian dollars

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) New standards and interpretations not yet adopted (continued)

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e., a full-cost approach. Such costs include both the incremental costs of the contract (i.e., costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

4. MARKETABLE SECURITIES

At December 31, 2020, the Company held 356,000 shares of Osisko Metals Incorporated (“Osisko”, TSX-V: OM) with a quoted market value of $156,640. The Osisko shares were acquired through the acquisition of Canadian Continental Exploration Corp. (“CCEC”) in October 2020. All the Osisko shares were disposed in May 2021 and a gain $10,915 (2020 - $5,115) was included in the statement of loss and comprehensive loss for year ended December 31, 2021.

5. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES

The following table shows the Company’s cumulative exploration and evaluation expenditures which have been expensed according to the Company’s accounting policy:

	December 31, 2021 $	Additions 2021 $	December 31, 2020 $	Additions 2020 $	December 31, 2019 $
Belfast-TeckMag	8,322,295	2,839,357	5,482,938	4,503,863	979,074
Alexander	6,250,352	1,792	6,248,560	1,792	6,246,768
Smith Lake	1,270,194	645	1,269,549	851	1,268,698
King Bay	1,003,189	-	1,003,189	-	1,003,189
Lake Nipigon Basin	16,000	16,000	-	-	-
Total	16,862,030	2,857,794	14,004,236	4,506,506	9,497,729

Belfast-TeckMag, Emerald Lake, Ontario

The Belfast-TeckMag Project is comprised of multiple properties evovled from the Company’s orginal Golden Rose Property. In 2017, the Company acquired certain mining leases, staked mining claims and adjacent claim blocks, collectively known as the Golden Rose Property, situated in Afton and Scholes townships at Emerald Lake approximately 65 km northeast of Sudbury, Ontario. A portion of the Golden Rose property comprising unpatented staked claims is subject to a 1.5% NSR in favour of Osisko Gold Royalties Ltd., and the patented claims and leases are subject to a 2% NSR in favour of EnerMark Inc.

Expressed in Canadian dollars

5. MINERAL PROPERTIES – EXPLORATION AND EVALUATION EXPENDITURES (CONTINUED)

Belfast-TeckMag, Emerald Lake, Ontario (Continued)

In October 2020, through the acquisition of CCEC, the Company acquired the TeckMag Property comprised of a large package of mining claims which surrounds the Golden Rose Property .

In November 2020, the Company acquired the Belfast Property by staking and acquisition of certain mining claim cells adjacent to the TeckMag Property. In addition, certain mining claim cells were purchased in the Belfast area from a third party for $10,000 and the issuance of 100,000 shares of Conquest valued at $18,000 at the date of their issuance. On November 2, 2020, the Board of Directors awarded an incentive bonus to the initiators of the Belfast Property in the form of the grant of a total NSR of 1.5 % on the Belfast Project to certain management of the Company.

Alexander Property, Red Lake, Ontario

The Company has earned a 100% interest in the Alexander Property, a group of patented mining claims situated in Balmer Township, Red Lake Mining District, Ontario, subject to a 2% net smelter return (“NSR”) in favour of Energold Minerals Inc. (“Energold”). Energold is controlled by a director of the Company.

Smith Lake Property, Missinabie, Ontario

The Company holds certain patented mining leases and mining claims in the Missinabie area of Northern Ontario, in Leeson, Stover and Rennie Townships, Sault Ste. Marie Mining Division.

King Bay Property, Sturgeon Lake, Ontario

The King Bay property comprises a mining Lease and certain patented mining claims at Sturgeon Lake, in northwestern Ontario.

LNB Property, Lake Nipigon Basin, Ontario

On November 11, 2021, Conquest entered into an agreement to purchase 100% of the LNB property that is considered to be prospective for uranium mineralization associated with veins and faults at or near the Archean-Proterozoic unconformity, Ni-Cu-PGE mineralization associated with Proterozoic rift mafic intrusive rocks located at the unconformity south of Black Sturgeon Lake in the Lake Nipigon Basin (the “LNB” property).

Under the terms of the agreement, the Company is required to issue 800,000 common shares with an initial 200,000 shares issued to the vendor immediately upon receiving TSX-V approval to issue the shares. The remaining 600,000 shares are to be issued in three tranches whereby 200,000 common shares will be issued on each of the second, third and fourth anniversaries of the agreement. Under the terms of the agreement, Conquest can earn 100% interest in the LNB property by issuing 200,000 shares per year over 4 years and spending $400,000 in exploration costs, subject to a 2% NSR with a buy-back of 1% at any time for $1,000,000.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(a)

	December 31, 2021 $	December 31, 2020 $
Trade payables	279,504	152,630
CCEC warrant liability (Note (b))	-	275,000
Payable to related parties (Note 10)	27,593	66,350
Accrued liabilities	28,220	24,160
Total amounts payable and accrued liabilities	335,317	518,140

(b) CCEC warrant liability

Prior to its acquisition by Conquest, pursuant to the DGC Option/Joint Venture Agreement dated October 7, 2013, between CCEC and Teck Resources Limited (“Teck”), CCEC issued to Teck 1,100,000 CCEC share purchase warrants in consideration for an option to acquire Teck’s interest in the DGC Ni-Cu-PGE Property located in Afton Township of Ontario. CCEC had an obligation to buy back the warrants from Teck at $0.25 per warrant, for a total of $275,000. As the CCEC warrants have a cash settlement feature, they were treated as a financial liability at December 31, 2020. The CCEC warrants issued to Teck were canceled in 2021 pursuant to a Purchase and Sale Agreement dated March 12, 2021, between Conquest and Teck.

7. SHARE CAPITAL

Effective October 14, 2020, the Company consolidated all of its issued and outstanding common shares at a consolidation ratio of one (1) new post-consolidation share for every two and one half (2.5) pre-consolidation shares (the "Share Consolidation"). Therefore, all disclosures on the numbers of shares, warrants, options and their price or value per unit, in these consolidated financial statements have been adjusted to reflect the Share Consolidation.

In March 2020, the Company completed a non-brokered, private placement through the issuance of 800,000 flow-through units and 400,000 non-flow-through units at a price of $0.125 per unit, for gross proceeds of $150,000. Each unit consists of one share and one-half of a share purchase warrant. One whole warrant is exercisable to purchase one common share at an exercise price of $0.1875 for a period of one year from issue. Proceeds totaling $100,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2021. As a result of COVID-19, the Government of Canada has extended the timelines for expenditures of capital raised via flow-through shares by 12 months to December 31, 2022.

The fair value of the 600,000 share purchase warrants issued, in the amount of $8,748, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: share price of $0.075, expected dividend yield of 0%, expected volatility of 137%, risk free interest rate of 1.71% and an expected life of one year. Expected volatility is based on the historical share price volatility of the Company's shares over the past year.

In March 2020, the Company agreed to settle an aggregate indebtedness of $144,480 by the issue of a total of 1,155,848 shares at a deemed issue price of $0.125 per share. A gain in the amount of $57,792 was recorded for the settlement due to the deemed issue price being higher than the market price of the shares at the time of the issue. See note 10.

On September 16, 2020, in connection with the acquisition of CCEC, the Company completed a non-brokered, private placement through the issuance of 21,105,265 units at a price of $0.12 per unit, for gross proceeds of $2,532,632, and 3,880,004 flow-through shares at a price of $0.15, for gross proceeds of $582,000. Each unit consists of one share and one-half of a share purchase warrant exercisable at $0.18 per full warrant (total of 10,552,632 warrants) for a period of two years, expiring October 13, 2022. Proceeds from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2022.

The fair value of the 10,552,632 warrants issued, in the amount of $571,064, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: fair value of shares of $0.09, expected dividend yield of 0%, expected volatility of 143.8%, risk free interest rate of 0.24% and an expected life of two years. Expected volatility is based on the historical share price volatility of the Company's shares over the past two years.

The flow-through shares were issued at a premium of $0.06 per share to the fair value of shares issued in the concurrent non-flow-through offering. The premium of $221,385 was recognized as a liability at the time of issuance, and $215,504 was subsequently reversed and recorded as other income in the statement of operations upon its renunciation effective December 31, 2020.

Also on September 16, 2020, Conquest issued 10,000,000 units to Kirkland Lake Gold Ltd. ("Kirkland Lake") at a price of $0.13 each for gross proceeds of $1,300,000. Each Kirkland Lake unit consists of one common share of Conquest and one quarter of one share purchase warrant of Conquest. Each full share purchase warrant is exercisable at $0.18 for a period of two years.

The private placement financing and the Kirkland Lake financing completed in September 2020 were closed on October 14, 2020, when the acquisition of CCEC was completed and the proceeds from the financings were released from escrow.

On October 14, 2020, Conquest issued 40,306,667 common shares to the shareholders of CCEC in consideration for the Acquisition of CCEC. These common shares are valued at $3,746,505 based on the fair value of the Company's common shares issued in the concurrent private placement and Kirkland Lake financings.

On December 17, 2020, the Company completed a non-brokered, private placement through the issuance of 4,250,000 flow-through shares at a price of $0.20, for gross proceeds of $850,000. Proceeds from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2022.

The flow-through shares were issued at an average premium of $0.02 per share to the current market of the Company's shares on the closing date. The premium of $96,625 was recognized as a liability at the time of issuance, and as at December 31, 2020.

Expressed in Canadian dollars

7. SHARE CAPITAL (CONTINUED)

The fair value of the 2,500,000 warrants in the amount of $148,732, was estimated on the date of issue using the Black-Scholes option pricing model under the following assumptions: fair value of share of $0.10, expected dividend yield of 0%, expected volatility of 143.8%, risk free interest rate of 0.24% and an expected life of two years.

On March 29, 2021, Conquest issued 1,800,000 common shares to Teck Resources Limited pursuant to a purchase and sales agreement to acquire a 100% interest in the DGC Ni-Cu-PGE property. In addition, on the same date, Conquest issued 250,000 common shares to acquire the JPC property in a separate transaction (note 5).

On November 11, 2021, Conquest issued an initial 200,000 shares to the vendor of the LNB property pursuant to an agreement dated September 22, 2021, to purchase the LNB property (note 5).

8. WARRANTS

The following warrants were outstanding at December 31, 2021:

	Number of Warrants	Weighted Average Exercise Price $
Balance at December 31, 2019	1,000,000	0.188
Warrants exercised	(1,000,000)	0.188
Warrants expired	(400,000)	0.188
Warrants on units issued	600,000	0.188
Warrants on units issued	13,052,632	0.180
Balance at December 31, 2020	13,252,632	0.185
Warrants expired	(200,000)	0.188
Balance at December 31, 2021	13,052,632	0.180

All warrants outstanding at December 31, 2021 have an exercise price of $0.18 and expire on October 14, 2022.

9. STOCK OPTIONS

The board of directors has approved a stock option plan for directors, officers, management, employees and other persons who perform ongoing services for the Company or any of its subsidiaries. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and to benefit from its growth.

The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed ten percent of the total number of common shares outstanding immediately prior to such an issuance. The maximum number of common shares reserved for issuance to any one participant upon the exercise of options is not to exceed five percent of the total number of common shares outstanding immediately prior to such an issuance. The options are non-assignable and may be granted for a term not exceeding ten years. The exercise price of the options is fixed by the board of directors at the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

On October 14, 2020, as a consideration for the Acquisition of CCEC, Conquest issued 2,900,000 options, under the Company's Stock Option Plan, exercisable at $0.15 per consolidated share expiring between August and September 2021, in replacement for the options previously outstanding in CCEC. The grant date fair value of these options was estimated at $390,050. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of $0.24, expected divided yield of 0%; expected volatility of 119%; risk free interest rate of 0.20% and expected life of 0.96 year.

Expressed in Canadian dollars

9. STOCK OPTIONS (CONTINUED)

Also on October 14, 2020, Conquest granted PowerOne 750,000 stock options under the Company's stock option plan, each exercisable at a price of $0.13 to acquire one share of Conquest, for a period of two years. PowerOne Capital Markets Limited acted as finder in connection with a portion of the non-brokered private placement financing and was appointed to act as a financial advisor to Conquest to provide ongoing financial advisory and consulting services. The grant date fair value of these options was estimated at $126,727. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of $0.24, expected divided yield of 0%; expected volatility of 119%; risk free interest rate of 0.20% and expected life of 2 years.

On February 9, 2021, the Company granted 4,175,000 stock options at an exercisable price of $0.20 per share, for a term of five years, all vesting quarterly over a period of two years commencing on April 1, 2021, to directors, officers and consultants. Amongst the total stock options granted, 3,400,000 were awarded to directors and officers of the Company. The total grant date fair value of the options was estimated at $662,961. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of $0.16, expected dividend yield of 0%; expected volatility of 242%; risk free interest rate of 0.49% and expected life of 5 years.

Also on February 9, 2021, the Company granted 100,000 stock options to a service provider at an exercisable price of $0.20 per share with an expiry date of December 31, 2021, with half of the options vesting immediately and the other half vesting on July 1, 2021. The total grant date fair value of the options was estimated at $8,966. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of $0.16, expected dividend yield of 0%; expected volatility of 180%; risk free interest rate of 0.12% and expected life of 0.89 year. The 50,000 options vesting on July 1, 2021 were cancelled in May 2021 following the Company's termination of the optionee's service. The fair value related to the cancelled options were reversed accordingly in the year ended December 31, 2021.

On March 1, 2021, the Company granted 500,000 stock options to a consultant at an exercisable price of $0.20 per share for a term of one year, all vesting immediately. The total grant date fair value of the options was estimated at $35,363. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of $0.13, expected dividend yield of 0%; expected volatility of 178%; risk free interest rate of 0.19% and expected life of 1 year.

On August 2, 2021, a total of 2,900,000 stock options previously granted to former directors, officers, and consultants of CCEC in August 2020 expired unexercised. On August 19, 2021, the Company granted 1,800,000 stock options to certain former directors, officers and consultants of CCEC at an exercise price of $0.15 per share, for a term of five years, all vesting quarterly over a period of two years commencing on September 1, 2021. The total grant date fair value of the options was estimated at $159,797. The estimated fair value was calculated using the Black-Scholes option pricing model with the following assumptions: share price of $0.09, expected dividend yield of 0%; expected volatility of 228%; risk free interest rate of 0.81% and expected life of 5 years.

The total share-based compensation cost for the year ended December 31, 2021 was $641,569 (2020 - $168,152). A total of 2,950,000 (2020 – nil) options expired unexercised in the year ended December 31, 2021 and the fair value of these expired options of $394,533 (2020 – $nil) were transferred from the reserve for stock options to deficit.

The following table summarizes the stock option transactions for the years ended December 31, 2021 and 2020:

	Number of Options	Weighted Average Exercise Price $
Balance at December 31, 2019	2,400,000	0.125
Stock options issued	2,900,000	0.150
Stock options issued	750,000	0.130
Balance at December 31, 2020	6,050,000	0.138
Stock options issued	6,575,000	0.186
Stock options expired	(2,950,000)	0.150
Stock options cancelled	(50,000)	0.200
Balance at December 31, 2021	9,625,000	0.167

Expressed in Canadian dollars

9. STOCK OPTIONS (CONTINUED)

The following table summarizes the stock options outstanding as at December 31, 2021:

Exercise Price $	Options Outstanding	Options Exercisable	Expiry date	Remaining Life to Expiry (Years)
0.125	2,400,000	2,400,000	December 31, 2024	3.0
0.130	750,000	750,000	October 13, 2022	0.8
0.150	1,800,000	450,000	August 19, 2026	4.6
0.200	4,175,000	1,565,625	February 9, 2026	4.1
0.200	500,000	500,000	March 1, 2022	0.2
	9,625,000	5,665,625		

The options outstanding have a weighted average remaining life of 3.47 years at a weighted average exercise price of $0.17 at December 31, 2021.

10. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed.

Other than the granting of stock options, no fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2021 or 2020.

During the year ended December 31, 2021, a total expense of $310,702 (2020 - $244,952) were charged by related parties, including $180,000 (2020 - $45,000) by Tom J. Obradovich, Director, President and Chief Executive Officer of the Company for management fees; $24,000 (2020 - $50,000) by Energold Minerals Inc., an affiliate of John Kearney, the Chairman of the Company, for executive consulting services; $71,170 (2020 - $17,800) by Intega Advisors, a company controlled by Tong Yin, Chief Financial Officer of the Company for professional services; $33,894 (2020 - $24,400) by Janice Malmholt, Secretary of the Company, for corporate secretary services; $nil (2020 - $22,500) for management fees by Robert Kinloch, Director; $1,638 (2020 - $63,294) for legal fees by Steenberg Law Professional Corporation, a company controlled by a director of the Company; and $12,000 (2020 - $6,000) for office rent by Buchans Resources Limited, a company with common directors.

In March 2020, the Company issued 562,514 shares to settle debt of $70,314 to Energold Minerals Inc., an affiliate of John Kearney, the Chairman and a director and of the Company (note 7). In addition, $22,500 in liabilities due to related parties were settled through the issuance of 180,000 common shares valued at $0.125 per share to Robert Kinloch, Director. During the year ended December 31, 2020, the Company recorded a gain in total of $41,126 from issuing common shares to settle debt and service fees owed to related parties. No such transactions occurred in the year ended December 31, 2021.

On March 24, 2020, John Kearney, the Chairman and a director of the Company, subscribed for 400,000 subscription units at $0.125 per unit for a total cost of $50,000 in the private placement financing (note 7).

On September 16, 2020, John Kearney, the Chairman and a director of the Company, subscribed for 200,000 non-brokered flow-through shares at $0.15 per share for a total cost of $30,000 (note 7).

On December 17, 2020, Tom Obradovich, President and CEO of the Company, subscribed for 250,000 non-brokered flow-through shares at $0.20 per share for a total cost of $50,000 (note 7).

Included in accounts payable and accrued liabilities at December 31, 2021 is $27,593 (2020 - $66,350) due to related parties. Such amounts were due on demand, unsecured and non-interest bearing.

Expressed in Canadian dollars

11. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

At December 31, 2020, there were $865,000 remaining unspent from the Company's proceeds from its previous issuance of flow-through shares. The entire amount was spent on qualifying Canadian exploration expenditures at the end of June 2021. No flow-through shares were issued during the year ended December 31, 2021.

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12. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the combined Canadian federal and provincial statutory rate of approximately 25% (2020 – 25%) were as follows:

	2021 $	2020 $
(Loss) before income taxes	(4,025,771)	(4,696,443)
Expected income taxes based on statutory rate	(1,066,800)	(1,174,000)
Adjustment to expected income tax benefit:		
Share based compensation	170,000	42,000
Flow-through renunciation	(27,200)	229,000
Share issue costs	(29,500)	(311,000)
Other	(1,800)	(163,000)
Change in benefit of tax assets not recognized	955,300	1,377,000
Deferred income tax provision (recovery)	-	-

(b) Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2021 $	2020 $
Non-capital loss carry-forwards	7,443,600	2,785,000
Mineral property costs	8,569,600	7,636,000
Capital losses	14,700	3,410,000
Share issue costs	476,400	492,000
	16,504,300	14,323,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

Expressed in Canadian dollars

12. INCOME TAXES (CONTINUED)

(c) Tax loss carry-forwards

The Company has approximately $8,569,600 (2020 – $7,636,000) of Canadian exploration expenditures which, under certain circumstances, may be utilized to reduce taxable income of future years.

As at December 31, 2021, the Company has approximately $7,442,000 (2020 - $2,785,000) of non-capital losses in Canada, which expire as follows:

	$		$
2028	1,000	2035	214,000
2029	4,000	2036	138,000
2030	9,000	2037	313,000
2031	3,000	2038	1,176,000
2032	213,000	2039	140,000
2033	65,000	2040	4,278,000
2034	219,000	2041	669,000
			7,442,000

13. FINANCIAL INSTRUMENTS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies, and procedures.

Interest rate risk
The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by major Canadian banks. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Credit risk
Credit risk is the risk that a counterparty will be unable to pay amounts owing to the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in Canadian banks.

Commodity price risk
The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals, particularly gold.

Fair value hierarchy and liquidity risk disclosure
The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At December 31, 2021, the Company had $nil (2020 – $156,640) financial instruments to classify within the fair value hierarchy. Marketable securities are classified and subsequently measured as Level 1 in the fair value hierarchy.

The carrying amounts for cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities on the consolidated statements of financial position approximate fair value because of the limited term of these instruments.

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2021, the Company had cash and cash equivalents of $1,949,588 (2020 - $5,042,673) to settle accounts payable and accrued liabilities of $335,317 (2020 - $518,140). All the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk
Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate because of changes in market prices. The Company does not have significant exposure to market risk at December 31, 2021.

13. FINANCIAL INSTRUMENTS (CONTINUED)

Price volatility of publicly traded securities
Securities of exploration companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, and market perceptions of the relative attractiveness of particular industries. The Company's share price is also likely to be significantly affected by short-term changes in metal prices or in the Company's financial condition or results of operations.

Capital risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain and explore its exploration assets. The capital structure of the Company consists of shareholders' equity.

Sensitivity analysis
Cash is invested in investment-grade short-term deposit certificates. At December 31, 2021, the Company held $1,800,247 (2020 – $nil) in short-term deposit certificates. Based on management's knowledge and experience in the financial markets, sensitivity to a plus or minus 1% change in rates, based on the current balance of cash at December 31, 2021, would affect the net loss by plus or minus $18,000 (2020 – $nil) during a one-year period.

As at December 31, 2021 and 2020, the Company did not hold any material balances in foreign currencies that would give rise to exposure to foreign exchange risk.

14. CAPITAL MANAGEMENT

The capital of the Company consists primarily of its shareholders' equity.

The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, development and exploration of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. All equity financings require the approval of the Board of Directors.

The Company invests all capital that is surplus to its immediate operational needs in short term, highly liquid financial instruments, such as short term guaranteed investment certificates, held with a major Canadian financial institution.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2021. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSXV which requires adequate working capital or financial resources of the greater of (i) CDN$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.