

**BUCHANS RESOURCES LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND DECEMBER 31, 2020**

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*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Buchans Resources Limited

### **Opinion**

We have audited the consolidated financial statements of Buchans Resources Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and 2020 and its consolidated financial performance and its consolidated cash flows for the years 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 consolidated 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 consolidated financial statements in Canada. 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 information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 risks 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 partner of the audit resulting in this independent auditor's report is Koko Yamamoto.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
April 12, 2022

**BUCHANS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2021**

| Expressed in Canadian Dollars                     | Notes | 2021<br>\$        | 2020<br>\$        |
|---|-------|-------------------|-------------------|
| <b>Assets</b>                                     |       |                   |                   |
| <b>Current assets</b>                             |       |                   |                   |
| Cash and cash equivalents                         | 9     | 1,070,738         | 780,219           |
| Trade and other receivables                       | 10    | 43,957            | 344,426           |
| Prepaid expenses                                  |       | 39,276            | 38,441            |
| Marketable securities                             | 7     | 25,500            | -                 |
| Current portion of note receivable                | 8     | -                 | 750,000           |
| <b>Total current assets</b>                       |       | <b>1,179,471</b>  | <b>1,913,086</b>  |
| <b>Non-current assets</b>                         |       |                   |                   |
| Exploration and evaluation assets                 | 7     | 13,184,110        | 13,069,743        |
| Right-of-use asset, lease                         | 6     | 20,478            | 266,218           |
| Financial instruments                             | 8     | 73,831            | 623,860           |
| Non current portion of note receivable            | 8     | 251,673           | 264,785           |
| Investment in associates                          | 8     | 851,704           | 709,525           |
| <b>Total non-current assets</b>                   |       | <b>14,381,796</b> | <b>14,934,131</b> |
| <b>Total assets</b>                               |       | <b>15,561,267</b> | <b>16,847,217</b> |
| <b>Equity and liabilities</b>                     |       |                   |                   |
| <b>Current liabilities</b>                        |       |                   |                   |
| Trade and other payables                          | 11    | 60,537            | 163,748           |
| Current portion of lease obligation               | 6     | -                 | 285,583           |
| <b>Total current liabilities</b>                  |       | <b>60,537</b>     | <b>449,331</b>    |
| <b>Long term liabilities</b>                      |       |                   |                   |
| CEBA loans payable                                | 12    | 120,000           | 80,000            |
| Lease obligation                                  | 6     | -                 | 25,178            |
| <b>Total long term liabilities</b>                |       | <b>120,000</b>    | <b>105,178</b>    |
| <b>Total liabilities</b>                          |       | <b>180,537</b>    | <b>554,509</b>    |
| <b>Shareholders' Equity</b>                       |       |                   |                   |
| Share capital                                     | 13    | 14,619,425        | 14,122,282        |
| Retained earnings                                 |       | 761,305           | 2,170,426         |
| <b>Total equity</b>                               |       | <b>15,380,730</b> | <b>16,292,708</b> |
| <b>Total shareholders' equity and liabilities</b> |       | <b>15,561,267</b> | <b>16,847,217</b> |

**Commitments and contingencies (Notes 1, 7, 8 and 15)**

The financial statements were approved by the Board of Directors on April 12, 2022 and signed on its behalf by:

Signed "John F. Kearney" , Director

Signed "Patrick Downey" , Director

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF (LOSS)/INCOME AND COMPREHENSIVE (LOSS)/INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| Expressed in Canadian Dollars   | Notes | 2021        | 2020      |
|---|-------|-------------|-----------|
|   |       | \$          | \$        |
| General and administrative expenses:                                    |       |             |           |
| Professional fees   |       | (36,671)    | (74,798)  |
| Shareholders and investors expense                                      |       | (12,235)    | (27,196)  |
| Lease depreciation  | 6     | (245,740)   | (245,740) |
| Write off exploration expenditures                                      |       | -           | (61,730)  |
| Office expense recovery   |       | 52,871      | 38,679    |
| Loss from continuing operations before other items                      |       | (241,775)   | (370,785) |
| Other items:  |       |             |           |
| Foreign exchange loss   |       | (20,980)    | (24,523)  |
| Canada Emergency Wage Subsidy revenue                                   |       | 38,219      | 21,332    |
| Non-cash deemed interest expense  | 6     | (18,171)    | (44,558)  |
| Interest income   | 8     | 8,115       | -         |
| Value of Xtierra warrants received                                      | 8     | 273,648     | 259,234   |
| Change in fair value of 2020 Xtierra warrants                           | 8     | (103,847)   | 292,176   |
| Change in fair value of 2021 Xtierra warrants                           | 8     | (199,817)   | -         |
| Share of loss of associate - Xtierra                                    | 8     | (1,170,013) | -         |
| Receipt of marketable securities  | 7     | 25,500      | -         |
| Change in fair value of exchangeable warrants                           | 5     | -           | (277,759) |
| Gain on disposal of exchangeable warrants                               | 5     | -           | 3,241,452 |
| Total other items   |       | (1,167,346) | 3,467,354 |
| Net (loss)/income from continuing operations                            |       | (1,409,121) | 3,096,569 |
| Loss attributable to discontinued operations                            | 5     | -           | (165,779) |
| Net (loss)/income and comprehensive (loss)/income for the year          |       | (1,409,121) | 2,930,790 |
| Net (loss)/income and comprehensive (loss)/income attributable to:      |       |             |           |
| Shareholders of the company   |       | (1,409,121) | 2,948,313 |
| Non-controlling interest  |       | -           | (17,523)  |
| Net (loss)/income and comprehensive (loss)/income for the year          |       | (1,409,121) | 2,930,790 |
| <b>Loss per share</b>   |       |             |           |
| Basic and diluted (loss)/income per share                               | 4     | (0.022)     | 0.048     |
| Basic and diluted (loss)/income per share<br>from continuing operations | 4     | (0.022)     | 0.051     |
| Basic and diluted loss per share from discontinued operations           | 4     | -           | (0.003)   |

See accompanying notes to the consolidated financial statements

**BUCHANS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| Expressed in Canadian Dollars   | Share<br>Capital<br>\$ | (Deficit)<br>Retained<br>Earnings<br>\$ | Attributable to<br>equity holders<br>of the company<br>\$ | Non-<br>Controlling<br>Interest<br>\$ | Total<br>\$ |
|---|------------------------|---|---|---------------------------------------|-------------|
| Balance as at December 31, 2019   | 13,419,018             | (1,376,453)                             | 12,042,565  | -                                     | 12,042,565  |
| Minco Exploration warrants exercised into Buchans shares                      | 703,264                | -                                       | 703,264   | -                                     | 703,264     |
| Recognition of non-controlling interest                                       | -                      | 598,566                                 | 598,566   | 314,560                               | 913,126     |
| Total comprehensive income/(loss) for the year                                | -                      | 2,948,313                               | 2,948,313   | (17,523)                              | 2,930,790   |
| Derecognition of non-controlling interest on<br>loss of control of subsidiary | -                      | -                                       | -   | (297,037)                             | (297,037)   |
| Balance as at December 31, 2020   | 14,122,282             | 2,170,426                               | 16,292,708  | -                                     | 16,292,708  |
| Minco Exploration warrants exercise adjustment                                | (2,857)                | -                                       | (2,857)   | -                                     | (2,857)     |
| Proceeds from private placements  | 500,000                | -                                       | 500,000   | -                                     | 500,000     |
| Total comprehensive loss for the year   | -                      | (1,409,121)                             | (1,409,121)   | -                                     | (1,409,121) |
| Balance as at December 31, 2021   | 14,619,425             | 761,305                                 | 15,380,730  | -                                     | 15,380,730  |

See accompanying notes to the consolidated financial statements



**BUCHANS RESOURCES LIMITED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

| Expressed in Canadian Dollars  | Notes | 2021<br>\$  | 2020<br>\$  |
|--|-------|-------------|-------------|
| <b>Cash flow from operating activities</b>                           |       |             |             |
| (Loss)/income for the year   |       | (1,409,121) | 2,930,790   |
| Loss from discontinued operations                                    | 5     | -           | (165,779)   |
| Lease depreciation   | 6     | 245,740     | 245,740     |
| Non-cash foreign exchange loss                                       |       | 3,789       | 24,523      |
| Value of Xtierra warrants received                                   | 8     | (273,648)   | (259,234)   |
| Change in fair value of 2020 Xtierra warrants                        | 8     | 103,847     | (292,176)   |
| Change in fair value of 2021 Xtierra warrants                        | 8     | 199,817     | -           |
| Share of loss of associate - Xtierra                                 | 8     | 1,170,013   | -           |
| Reduction in lease obligations                                       | 6     | (145,477)   | (110,220)   |
| Receipt of marketable securities                                     | 7     | (25,500)    | -           |
| Write off exploration expenditures                                   |       | -           | 61,730      |
| Change in fair value of exchangeable warrants                        |       | -           | 277,759     |
| Gain on disposal of exchangeable warrants                            |       | -           | (3,241,452) |
| Non-cash deemed interest expense                                     | 6     | 18,171      | 44,558      |
| Non-cash interest income   | 8     | 8,115       | -           |
|  |       | (104,254)   | (483,760)   |
| <b>Movements in working capital</b>                                  |       |             |             |
| Decrease/(increase) in trade and other receivables                   |       | 156,640     | (135,621)   |
| (Increase) in prepaid expenses                                       |       | (835)       | -           |
| Operating cash flows from discontinued operations                    | 5     | -           | (204,071)   |
| (Decrease) in trade and other payables                               |       | (107,636)   | (39,307)    |
| Net cash flows from operating activities                             |       | (56,085)    | (862,759)   |
| <b>Cash flows from investing activities</b>                          |       |             |             |
| Payment received in reduction of Xtierra note                        | 8     | 100,000     | -           |
| Contributions to exploration expenditures received                   | 7     | 544,500     | -           |
| Exploration expenditures applied to Buchans Projects                 | 7     | (544,464)   | -           |
| Investment in exploration and evaluation assets                      | 7     | (114,403)   | (334,350)   |
| Investment in Minco exploration and evaluation assets                | 5     | -           | (196,228)   |
| Net cash flows from investing activities                             |       | (14,367)    | (530,578)   |
| <b>Cash flows from financing activities</b>                          |       |             |             |
| Payment of lease obligation  | 6     | (179,030)   | (183,079)   |
| Private placement proceeds   | 13    | 500,000     | -           |
| Private placement proceeds received by Minco Exploration             | 5     | -           | 833,333     |
| CEBA loans   | 12    | 40,000      | 80,000      |
| Net cash flows from financing activities                             |       | 360,970     | 730,254     |
| Net increase/(decrease) in cash and cash equivalents                 |       | 290,518     | (663,083)   |
| Effect of foreign exchange rate changes on cash and cash equivalents |       | -           | 56          |
| Cash and cash equivalents at the beginning of the year               |       | 780,219     | 1,443,246   |
| Cash and cash equivalent at the end of the year                      | 9     | 1,070,738   | 780,219     |
| <b>Supplemental cash flow information:</b>                           |       |             |             |
|  |       | \$          | \$          |
| Exchangeable warrants exercised into Buchans shares                  | 5/8   | -           | 703,264     |
| Conversion of note receivable to Minco Exploration shares            | 8     | 143,829     | -           |
| Exercise of Xtierra warrants in settlement of note receivable        | 8     | 650,000     | -           |

See accompanying notes to the consolidated financial statements

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Buchans Resources Limited (the "Company" or "Buchans") is incorporated under the laws of the province of Ontario, Canada.

The Company is in the business of exploring its exploration and evaluation properties and has not yet determined whether its exploration and evaluation assets contain economically recoverable mineral reserves. The underlying value and the recoverability of the exploration and evaluation properties is entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the exploration and evaluation properties, and the generation of future profitable production or proceeds from the disposition of the exploration and evaluation properties.

Although the Company has taken steps to verify title to properties on which it is conducting exploration and in which it has an interest in accordance with industry standards for the current stage of development of such properties, 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 preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the Company and finance for the development of the Company's projects becoming available. Accordingly, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis and that the Company's working capital is sufficient to support its operations for at least 12 months. However, the continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that additional funds will be obtained to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the assets, in particular the exploration and evaluation assets, to their realisable values. Such adjustments could be material.

The Company cannot accurately predict the impact the Covid-19 pandemic may have on its operations, including uncertainties relating to the duration of the pandemic, potential travel and quarantine restrictions imposed by governmental authorities, and the impact on schedules and timelines for planned operations or exploration programs. In addition, this pandemic and related economic uncertainty may adversely affect the Company's ability to finance its planned operations.

Due to the evolving Covid-19 pandemic and in compliance with government guidelines and travel restrictions, the Company's operations were somewhat impacted during 2021 and some planned programs were curtailed, delayed or postponed.

## **2. BASIS OF PRESENTATION**

These consolidated financial statements of the Company and its subsidiary have been prepared applying principles 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 based upon the historical cost basis, with the exception of certain financial instruments 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 of Buchans on April 12, 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 (its subsidiaries) made up to December 31 each year. 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 are included in the consolidated statement of income/(loss) from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-company transactions, balances, income and expenses are eliminated on consolidation.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(a) Basis of consolidation (continued)**

The Company had one wholly owned subsidiary, Buchans Minerals Corporation (Canada), during the years ended December 31, 2021 and 2020.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income/(loss) is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of the retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income/(loss) in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *financial instruments* or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

#### **(b) Assets held for sale and discontinued operations**

Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### **(c) Investment in associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost. The carrying amount of the investment is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Company's share of the investee's profit or loss is recognised in the Company's profit or loss. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Where a company entity transacts with an associate of the Company, profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

#### **(d) Exploration and evaluation assets**

Exploration expenditure relates to the search for economic mineral deposits. Evaluation expenditure arises from a detailed assessment of mineral deposits that have been identified as having economic potential. The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights and costs incurred in exploration and evaluation activities, are capitalised as part of exploration and evaluation assets.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(d) Exploration and evaluation assets (continued)**

Exploration and evaluation costs are capitalised as an intangible asset until technical feasibility and commercial viability of a mineral deposit, when the capitalised exploration costs are re-classed to property, plant and equipment. Exploration costs include an allocation of administration and salary costs (including share-based payments) as determined by management, where they relate to specific projects. Prior to reclassification to property, plant and equipment, exploration and evaluation assets are assessed for impairment and any impairment loss recognised immediately in the statement of loss. Option proceeds received for an interest in the Company's mineral properties, are reflected as a reduction of capitalized costs. Any amounts received in excess of costs capitalized is reflected in income.

#### **(e) 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 is initially recorded at its discounted present value with subsequent annual recognition of an accretion expense on the discounted liability. An equivalent amount is recorded as an increase to exploration assets and amortized over the useful life of these assets. Management is currently not aware of any existing significant legal or constructive obligations relating to the reclamation of its interest in exploration assets and therefore no such liability has been recorded at December 31, 2021 and 2020.

#### **(f) 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 loss.

#### **(g) Interests in joint arrangements**

A joint arrangement involves the use of assets and/or other resources of the Company and other venturers rather than the establishment of a corporation, partnership or other entity. The Company accounts for the assets it controls and the liabilities and expenses it incurs. During the years ended December 31, 2021 and 2020, no joint arrangements existed for accounting purposes.

#### **(h) Cash and cash equivalents**

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

#### **(i) Marketable securities**

Investments in equity instruments over which the Company does not have significant influence or control, are carried at fair value, with changes in fair value recorded in operations.

#### **(j) 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 fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), or "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.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost.

##### **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 income/(loss). Cash and cash equivalents, trade and other receivables and notes receivable are measured at amortized cost.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(j) Financial instruments (continued)**

##### **Financial assets (continued)**

###### **Subsequent measurement – 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 investment in warrants of its associate and marketable securities at FVPL.

###### **Subsequent measurement – 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, accounts 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.

##### **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 measured at amortized cost include trade and other payables, lease obligations and CEBA loans payable. The Exchangeable Warrants were measured at FVPL. 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 of operations.

###### **Subsequent measurement – financial liabilities at FVPL**

After initial recognition, financial liabilities 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 statement of loss.

###### **Fair value measurements**

The Company measures fair value in accordance with IFRS 13 *Fair Value Measurement*, which provides a single source of fair value measurement guidance. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company has applied the framework for measuring fair value, which requires a fair value hierarchy to be applied to all fair value measurements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(j) Financial instruments (continued)**

##### **Financial liabilities (continued)**

##### **Fair value measurements (continued)**

All financial instruments recognized at fair value in the consolidated statements of financial position are classified into one of three levels in the fair value hierarchy as follows:

Level 1 — valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.

Level 2 — valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.

Level 3 — valuation techniques with significant unobservable market inputs.

##### **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.

#### **(k) Functional and presentation currencies**

The Company's presentation currency is the Canadian dollar ("C\$"). 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 recognized 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 loss.

#### **(l) Flow-through financing**

The Company finances a portion of its project exploration and development through the issuance of flow-through shares.

Under the terms of the flow-through common 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 common shares is allocated to liabilities. The 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.

#### **(m) Government assistance**

Government assistance, such as the Canada Emergency Wage Subsidy, is recognized when there is reasonable assurance that the Company will comply with conditions attached to them and the government assistance will be received. The Company uses the income approach in which government assistance is recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the assistance is intended to compensate. Government assistance receivable as compensation for expenses or losses already incurred, for the purpose of giving immediate financial support to the Company, with no future related costs, shall be recognized in profit or loss in the period in which it becomes available.

#### **(n) 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. When options are exercised, the proceeds received, together with any related amount in share-based payment reserve, will be credited to share capital.

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. On expiry, any related amount in share-based payment or warrant reserve will be credited to deficit.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(o) Income/(loss) before other items**

Income/(loss) before other items comprises general administrative costs incurred by the Company, which are not specific to exploration and evaluation projects, and all impairment charges relating to exploration assets and financial assets during the financial statement reporting period. Income/(loss) before other items is stated before change in fair value of investments.

#### **(p) Critical accounting judgements and key sources of estimation uncertainty**

##### *Preparation of consolidated financial statements*

The preparation of consolidated financial statements requires management to make judgments related to the allocation of assets, liabilities and expenses. The actual results may differ from the results presented had the entity existed in its planned form for the periods presented.

##### *Critical accounting judgements*

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. Differences between management's assumptions, including economic 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 operation.

##### *Exploration and evaluation assets*

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management considers the nature of each cost incurred and whether it is deemed appropriate to capitalise it within exploration assets. Costs which can be demonstrated as project related are included within exploration assets. Exploration assets relate to prospecting, exploration and related expenditure in Canada. The Company's exploration activities are subject to a number of significant and potential risks including:

- exploration, development and operating risk
- no assurance of production
- factors beyond the Company's control
- failure to obtain additional financing
- insurance and uninsured risks
- environmental risks and hazards
- government regulation and permitting delays
- infrastructure availability
- price volatility of publicly traded securities
- fluctuating metal prices

The recoverability of these exploration and evaluation assets is dependent on the discovery and successful development of economic reserves, including the ability to raise financing to develop future projects. Should this prove unsuccessful, the value included in the statement of financial position would be written off to operations.

##### *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.

##### *Impairment of exploration and evaluation assets*

The assessment of exploration and evaluation assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of recoverable amount is performed and an impairment loss recognised to the extent that carrying amount exceeds recoverable amount. Recoverable amount is estimated as the higher of fair value less costs to sell and value in use. The assessment requires judgement as to the likely future commerciality of the asset and when such commerciality should be determined, future revenues, capital and operating costs and the discount rate to be applied to such revenues and costs.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(p) Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### *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.

##### *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.

##### *Determination of significant influence*

An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not represent control or joint control over those decisions. Management reviews the relevant factors and made considerations in determining whether significant influence exists in associates. Significant judgment is involved in the determination of significant influence. In particular, the Company has assessed that on December 31, 2021, it exerted significant influence over Minco Exploration Plc despite owning less than 20% of the outstanding shares. See Note 8.

##### *Note receivable*

The Company assesses all information available, including on a forward-looking basis the expected credit loss associated with its assets carried at amortized cost. Management believes that the amount is recoverable given the security in place, however, there is no assurance the amount will be fully recovered.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information. For amounts receivable, the Company applies the simplified approach as permitted by IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive.

The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

##### *Discount rate used in adoption of IFRS 16*

The determination of the Company's lease liabilities, right-of-use assets, and net investment in leases depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

##### *Assets and liabilities held for sale and discontinued operations*

The Company applied judgment in the application of its accounting policies in determining that the operations of Minco Exploration (Note 5) met the IFRS 5 held for sale and discontinued operations criteria as at December 31, 2020.



### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(p) Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### *Impairment of investment in associates*

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

##### *Functional currency*

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of underlying transactions, events and conditions.

##### *Contingencies*

See Note 15.

#### **(q) Income/loss per share**

Basic income/loss per share is calculated using the weighted average number of common shares outstanding. Diluted income/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 income/loss per share calculation. During the year ended December 31, 2021, the Company did not have any convertible securities outstanding. During the year ended December 31, 2020, the Exchangeable Warrants were considered to be anti-dilutive.

#### **(r) Income taxes**

Current tax and deferred tax are recognized in net loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected taxes payable or receivable on the taxable income (loss) for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

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.

#### **(s) Leases**

IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

#### **(t) Changes in Accounting Policies**

No new accounting policies or amendments were adopted during 2021.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) 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, 2022. 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.

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. INCOME / (LOSS) PER SHARE

Basic income/(loss) per share is computed by dividing the income/(loss) after taxation for the period available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the period. Diluted income/(loss) per share is computed by dividing the income/(loss) after taxation for the period by the weighted average number of ordinary shares in issue, adjusted for the effect of all potential dilutive ordinary shares that were outstanding during the period. Basic and diluted income/(loss) per share are the same as there are no dilutive convertible instruments. The computation for basic and diluted income/(loss) per share is as follows:

|  | December 31, 2021<br>\$ | December 31, 2020<br>\$ |
|--|-------------------------|-------------------------|
| <b>Numerator</b>   |                         |                         |
| Net (loss)/income from continuing operations                         | (1,409,121)             | 3,096,569               |
| Loss attributable to discontinued operations                         | -                       | (165,779)               |
| Total (loss)/income for the period                                   | <u>(1,409,121)</u>      | <u>2,930,790</u>        |
| <b>Denominator</b>   | <b>No. of Shares</b>    | <b>No. of Shares</b>    |
| Weighted average number of shares - basic and diluted                | <u>63,027,255</u>       | <u>60,227,040</u>       |
| <b>Earnings/(loss) per share</b>                                     |                         |                         |
| Basic and diluted (loss)/income per share                            | (0.022)                 | 0.048                   |
| Basic and diluted (loss)/income per share from continuing operations | (0.022)                 | 0.051                   |
| Basic and diluted loss per share from discontinued operations        | -                       | <u>(0.003)</u>          |

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**5. MINCO EXPLORATION - DISCONTINUED OPERATIONS**

On December 31, 2019, the Company filed Articles of Arrangement to implement a group reorganization pursuant to which the Company distributed to its shareholders, pro-rata, exchangeable warrants entitling shareholders to receive either one share of Minco Exploration plc (“Minco Exploration”) or 0.25 additional shares of the Company, at the shareholders’ option, for each share of Buchans held (the “Exchangeable Warrants”). Any Exchangeable Warrants which remained unexercised on the expiry date of December 31, 2020, were automatically exchanged for shares of Minco Exploration held by the Company (“Minco Shares”).

In accordance with IFRS 5, *non-current assets held for sale and discontinued operations*, the results for the year ended December 31, 2020 for Minco Exploration included in loss attributable to discontinued operations on the consolidated statement of (loss)/income are as follows:

| Expressed in Canadian Dollars                  | <b>2020</b> |
|--|-------------|
| General and administrative expenses:           | <b>\$</b>   |
| Professional fees                              | (130,508)   |
| Shareholders and investors expense             | (13,663)    |
| Office expenses                                | (21,608)    |
| Total loss and comprehensive loss for the year | (165,779)   |
| Loss attributable to non-controlling interest  | (17,523)    |

Cash flows from Minco Exploration and recorded within results from discontinued operations for the year ended December 31, 2020 are presented below:

| Expressed in Canadian dollars                          | <b>2020</b> |
|--|-------------|
|  | <b>\$</b>   |
| <b>Cash flows from operating activities</b>            |             |
| Loss for the year                                      | (148,256)   |
| Loss from minority interests                           | (17,523)    |
| Total loss   | (165,779)   |
| <b>Movements in working capital</b>                    |             |
| Decrease in trade and other receivables                | 56,238      |
| (Decrease) in trade and other payables                 | (94,530)    |
| Net cash flows from operating activities               | (204,071)   |
| <b>Cash flows from/used investing activities</b>       |             |
| Investment in exploration and evaluation assets        | (196,228)   |
| Net cash flows from investing activities               | (196,228)   |
| <b>Cash flows from financing activities</b>            |             |
| Private placements subscriptions                       | 833,333     |
| Net cash flows from financing activities               | 833,333     |
| Net increase in cash and cash equivalents              | 433,035     |
| Effect of foreign exchange rate changes on cash        | 8,189       |
| Cash and cash equivalents at the beginning of the year | 26,095      |
| Cash and cash equivalent at the end of the year        | 467,319     |

During the year ended December 31, 2020, Minco Exploration completed a private placement financing through subscriptions for 11,000,000 new ordinary shares at a price of €0.05 per share to raise a total of €550,000 (\$833,333) to fund its working capital and exploration programs.

See Note 8.

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**6. LEASES**

On February 1, 2019, the Company entered into a lease for its office premises, which expired January 31, 2022 and has since been extended for another three years

In accordance with IFRS 16, the Company recorded a right-of-use (“ROU”) asset, recognizing the Company’s office facility in the amount of \$737,220 and a corresponding lease liability in the amount of \$737,220 during the year ended December 31, 2019. For the year ended December 31, 2021, the Company recognized a non-cash depreciation expense in the amount of \$245,740 (2020 - \$245,740) and recognized a non-cash interest expense in the amount of \$18,171 (2020 - \$44,558). During 2021, \$117,969 (2020 - \$130,217) was recovered from other corporations that share part of the office premises.

Right-of-use asset:

|                             | December 31, 2021 | December 31, 2020 |
|-----------------------------|-------------------|-------------------|
|                             | \$                | \$                |
| Opening balance             | 266,218           | 511,958           |
| Accumulated depreciation    | (245,740)         | (245,740)         |
| Net book value, end of year | <u>20,478</u>     | <u>266,218</u>    |

Lease Obligations:

|   | \$        | \$             |
|---|-----------|----------------|
| Opening balance                           | 310,761   | 559,502        |
| Lease payments made                       | (179,030) | (183,079)      |
| Reduction in lease obligations recognized | (145,477) | (110,220)      |
| Interest expense                          | 18,171    | 44,558         |
| Prepaid rent                              | (20,753)  | -              |
| Amount transferred to current liabilities | 16,328    | -              |
| Net lease obligations, end of year        | <u>-</u>  | <u>310,761</u> |

**7. EXPLORATION AND EVALUATION ASSETS**

The following table shows the Company’s exploration and evaluation assets:

|                           | December 31<br>2021 | Additions      | December 31<br>2020 | Additions<br>Recoveries | December 31<br>2019 |
|---------------------------|---------------------|----------------|---------------------|-------------------------|---------------------|
|                           | \$                  | \$             | \$                  | \$                      | \$                  |
| Buchans/Lundberg          | 9,154,709           | 44,498         | 9,110,211           | 317,989                 | 8,792,222           |
| Bobby’s Pond              | 1,747,185           | 29,894         | 1,717,291           | 11,980                  | 1,705,311           |
| Tulks North               | 1,417,133           | 29,652         | 1,387,481           | (51,699)                | 1,439,180           |
| Lake Douglas/Long Range   | 639,228             | 614            | 638,614             | 386                     | 638,227             |
| South Voisey Bay/Tasiuyak | 225,855             | 9,709          | 216,146             | (6,036)                 | 222,183             |
|                           | <u>13,184,110</u>   | <u>114,367</u> | <u>13,069,743</u>   | <u>272,620</u>          | <u>12,797,123</u>   |

All exploration and evaluation assets are carried at cost less any applicable impairment provision. No impairment provision was recognized at December 31, 2021 and 2020.

The realisation of the exploration and evaluation assets is dependent on the successful discovery and development of mineral economic resources, including the ability to raise finance to develop the projects. Should this prove unsuccessful the value included in the statement of financial position would be impaired. By its nature there is inherent uncertainty as in the asset value.

The Company holds interests in four undeveloped base metal deposits in central Newfoundland, Canada, including the Buchans property (which covers the former producing Buchans Mine and contains the large, lower grade Lundberg deposit), as well as the Tulks North property (which contains the Daniels Pond deposit), the Bobby’s Pond property (which contains the Bobby’s Pond deposit), and the Tulks Hill property (which contains the Tulks Hill deposit). Certain of the claims or portions thereof are subject to net smelter royalties ranging from 1% to 3%, some of which are subject to buy-back agreements.

The Company holds two mining leases near the town of Buchans in central Newfoundland, each with a 25-year term from 2013 that require total annual lease payments of \$154,500. The leases cover the former producing Buchans Mine and the Company’s undeveloped Lundberg deposit.

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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

On January 5, 2021, Buchans entered into a Collaboration Agreement with Boliden Mineral AB (“Boliden”) under which Boliden is evaluating the Company’s Buchans VMS property for possible future investment and participation. Under the Agreement Boliden was granted exclusivity on the project until December 31, 2021 over which time Boliden may complete its evaluation and negotiate an Earn-in and Option Agreement and a JV Agreement.

During 2021, Boliden contributed \$600,000 to Buchans towards the costs of maintaining the property and exploration and evaluation programs, of which \$544,500 was received in cash, the balance was to be contributed in services.

In an Amendment to the Collaboration Agreement dated December 21, 2021 Boliden and the Company confirmed their intention to enter into an Earn in and Option Agreement under which Boliden will be granted an option to earn an interest in the Property and agreed to an extension of the exclusivity granted to Boliden from December 31, 2021, until March 31, 2022 and the agreement was further extended to May 15, 2022. Boliden agreed to make a payment of \$320,000 before January 31, 2022 to pay for certain other specific costs and expenses to maintain the properties during the extended exclusivity period. The payment was received January 27, 2022.

The Bobby’s Pond deposit, adjacent to Tulks North, is 100% owned by the Company. Bobby’s Pond is held under a mining lease with a 25-year term from 2004, which requires an annual lease payment of \$29,000. The Bobby’s Pond property is also subject to a 1% net smelter royalty and a 2% net smelter royalty.

The Tulks North property is 100% owned by the Company, and is located in the Victoria Lake Mining camp of west-central Newfoundland. The Tulks North property includes the Daniels Pond deposit which is subject to a 1.5% net smelter royalty as well as a 50% back-in option held by Glencore Canada Corporation should a single deposit of 15 million tonnes or greater be discovered and deemed economic upon the completion of a feasibility study.

The Company also holds a 100% interest in the Tulks Hill property, including the Tulks Hill VMS deposit, subject to underlying net smelter royalties ranging between 0.75% and 2%.

On July 26, 2021, the Company signed a letter of intent (“LOI”) with Quadro Resources Ltd (“Quadro”) on Buchans’ Tulks South Property in central Newfoundland. Under the LOI, Buchans granted Quadro an option to acquire a 51% interest in Buchans’ Tulks South property by the expenditure of \$500,000 over five years, followed by the right to acquire an additional 19% interest in the event that Buchans elects not to participate in work programs after Quadro has earned its initial 51% interest.

The Long Range Project includes claims held in a 51%:49% arrangement with Benton Resources Inc. (TSXV-BEX). On May 31, 2021, the Long Range Project was expanded through the acquisition of additional properties.

Buchans owns a 100% interest in the Lake Douglas gold property. On August 4, 2021, the Company entered into an option and joint venture agreement with C2C Gold (“C2C”) wherein Buchans granted C2C an option to acquire up to a 70% ownership interest in Buchans’ Lake Douglas and South Tally properties by the expenditure of \$1,500,000 over four years to earn 51%, an additional \$1,000,000 to earn 70%, and the issue of 100,000 shares in C2C, which was received and recorded as revenue in the amount of \$25,500.

In Labrador the Company holds several properties, including claims at South Voisey’s Bay and claims in the immediate Voisey’s Bay area, and the Tasiuyak gold property.

**8. INVESTMENT IN ASSOCIATES, WARRANTS AND NOTE RECEIVABLE**

|  | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Minco Exploration Plc - 11,227,879 shares (2020 - 9,079,000 shares)  | 851,704           | 709,525           |
| Xtierra - 43,000,003 common shares (2020 - 30,000,003 common shares) | 1,170,013         | -                 |
| Investment in associates   | 2,021,717         | 709,525           |
| Xtierra note receivable  | 251,673           | 1,014,785         |
| Xtierra - 5,000,000 warrants (2020 - 13,000,000 warrants)            | 73,831            | 623,860           |
| Share of loss of associate - Xtierra                                 | (1,170,013)       | -                 |
| Total investment in associates                                       | 1,177,208         | 2,348,170         |

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**8. INVESTMENT IN ASSOCIATES, WARRANTS AND NOTE RECEIVABLE (CONTINUED)**

**Minco Exploration Plc**

During the year ended December 31, 2020, 1,039,844 Exchangeable Warrants were exchanged into Minco Shares and on December 31, 2020, the remaining unexercised Exchangeable Warrants were automatically converted into 49,564,720 Minco Shares. As a result, the Company lost control over Minco on December 31, 2020, but continued to hold 9,079,000 shares of Minco, representing a 12.4% interest as an investment in associate and not held for distribution.

On December 30, 2021, the Company subscribed for 2,000,000 additional shares of Minco Exploration by converting its receivable from Minco Exploration in the amount of \$143,829 into 2,000,000 Minco Exploration shares. At December 31, 2021, the Company held 11,227,879 shares of Minco Exploration, representing a 14.4% interest in Minco Exploration as an investment in associate and not held for distribution (2020 – 12.4%).

The following information is extracted from the financial statements of Minco Exploration Plc:

|                          | 2021      | 2020      |
|--------------------------|-----------|-----------|
|                          | \$        | \$        |
| Current assets           | 614,353   | 475,668   |
| Non-current assets       | 1,772,280 | 1,750,319 |
| Current liabilities      | (300,656) | (487,297) |
| Non-current liabilities  | -         | -         |
| Revenue                  | -         | -         |
| Loss                     | (36,347)  | (194,321) |
| Other comprehensive loss | -         | -         |
| Total comprehensive loss | (36,347)  | (194,321) |

**Xtierra Inc.**

At December 31, 2021, the Company held 43,000,003 shares (2020 – 30,000,003) and 5,000,000 share purchase warrants (2020 – 13,000,000) of Xtierra Inc. (“Xtierra”), a company listed on the TSX Venture Exchange, which represents an approximate 24.5% (2020 – 18.4%) shareholding.

As the Company accounts for its investment in Xtierra as an Associate, in accordance with IFRS and the Company’s Accounting Policies, the Company records its proportionate share of the income or losses of Xtierra. Xtierra’s Accounting Policy is to expense all its exploration and evaluation costs and administrative expenditures, and therefore Xtierra reported significant net losses in prior periods, of which the Company was required under IFRS to recognise its proportionate share. However, as the Company’s proportionate share of prior losses recorded by Xtierra was greater than the carrying value of the Company’s investment, the Investment was previously reduced to Nil. The remaining unrecognized share of losses of Xtierra for the cumulative period ended December 31, 2021 totaled approximately \$4,434,000. Accordingly, in the period ended December 31, 2021 the Company was required under IFRS to recognize such losses not previously recognized, and again reduce the carrying value of the investment to nil, which resulted in the Company recording a non-cash loss on its investment in Associate of \$1,170,013 during the year.

On February 14, 2018, the Company entered into a two-year Support and Standstill Agreement (“Support Agreement”) to defer repayment of principal and accrued interest of its Notes receivable in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for \$0.05 per share for a term of two years expiring February 14, 2020.

By an Extension Agreement dated as of February 7, 2020, as amended by an Amending Agreement dated April 30, 2020, the term of the Support Agreement was extended for an additional period to April 30, 2021, in consideration of the issue to Buchans of 13,000,000, non-transferable warrants, each warrant entitling Buchans to purchase one common share of Xtierra for \$0.05 per share for a term to April 30, 2021.

On April 27, 2021, Buchans exercised Xtierra warrants and acquired 13,000,000 shares of Xtierra for a consideration of \$650,000, through settlement in part of the notes receivable from Xtierra, plus the \$520,013 market value of the warrants exercised at April 27, 2021, for a total consideration of \$1,170,013. The Company also recorded a charge on the change in fair value of the 2020 warrants on the date of exercise of \$103,847. On April 27, 2021, the Company received a payment of \$100,000 from Xtierra as part payment of the notes receivable, reducing the notes receivable by Buchans to \$237,882 (US\$191,798).

By a Second Extension Amendment Agreement dated April 27, 2021, the Support Agreement between the Company and Xtierra, was further amended to provide that interest on the remaining balance of the notes receivable by Buchans in the amount of \$237,882 (US\$191,798) resumes to accrue at the rate of 5% per annum effective May 1, 2021, until paid, and the term of the Support Agreement was extended for a further period to April 30, 2023.

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**8. INVESTMENT IN ASSOCIATES, WARRANTS AND NOTE RECEIVABLE (CONTINUED)**

In connection with the Second Extension Amendment Agreement, Xtierra agreed to issue to Buchans, 5,000,000 share purchase warrants, each warrant entitling Buchans to purchase one common share of Xtierra at a price of \$0.10 per share for a term of two years, subject to TSXV approval ("2021 Warrants"). The value of the new 2021 Warrants received was estimated to be \$273,648 at April 27, 2021 based on the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life two years, a risk free interest rate 1.71% and share price of \$0.09. The value of the 2021 Warrants received was included in the Statement of (Loss)/Income for the period ended December 31, 2021.

At December 31, 2021, the value of the 2021 Warrants was adjusted to their estimated fair value of \$73,831 using the Black-Scholes model and the following assumptions: expected dividend yield 0%, expected volatility 125%, life 1.82 year, risk free interest rate 1.85% and share price of \$0.04. The decrease in value in the amount of \$199,817 was included in change in fair value of 2021 Xtierra Warrants in the Statement of (Loss)/Income for the period ended December 31, 2021.

At December 31, 2021, the Company held notes receivable from Xtierra in the amount of US\$191,798 (\$243,558) (2020 - \$1,014,785) plus accrued interest in the amount of US\$6,393 (\$8,115), for a total of \$251,673.

The market value of the company's 43,000,003 shares in Xtierra, as at December 31, 2021 based on the market price of Xtierra shares on the TSX Venture Exchange, was \$1,720,000 (December 31, 2020 - \$2,850,000).

**9. CASH AND CASH EQUIVALENTS**

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Cash                                      | 1,015,456         | 718,261           |
| Cash (US dollars)                         | 55,282            | 61,958            |
| Immediately available without restriction | <u>1,070,738</u>  | <u>780,219</u>    |

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value, with a maturity of three months or less from the date of investment. The Company did not have any cash equivalents as at December 31, 2021 and 2020.

**10. TRADE AND OTHER RECEIVABLES**

|   | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Receivables                               | 34,000            | 47,000            |
| Receivable from related parties (Note 14) | 4,478             | 278,755           |
| Sales taxes receivable                    | 5,479             | 18,671            |
|   | <u>43,957</u>     | <u>382,867</u>    |

On December 30, 2021, the Company converted its amount receivable from Minco Exploration in the amount of \$143,829 into 2,000,000 Minco shares. See Note 8.

**11. TRADE AND OTHER PAYABLES**

|  | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|
|  | \$                | \$                |
| Trade creditors and accruals             | 59,350            | 162,894           |
| Amounts due to related parties (Note 14) | 1,187             | 854               |
|  | <u>60,537</u>     | <u>163,748</u>    |

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**12. LONG TERM DEBT**

On May 26, 2020, the Government of Canada launched the Canada Emergency Business Account (CEBA), which was implemented by eligible financial institutions. The Company and its subsidiary, Buchans Minerals, each received loans of \$40,000, for a total amount of \$80,000.

The loans are interest-free until December 31, 2023 and can be extended for an additional 3-year term bearing an interest rate of 5% per annum. Repaying the balance of the loan on or before December 31, 2023 will result in a loan forgiveness of 25% or \$10,000 for each company, for a total amount of \$20,000.

In January 2021, the Company received additional CEBA loans in the amount of \$40,000, under the same terms and conditions as the first loans.

**13. CAPITAL STOCK**

**Authorized**

Unlimited number of common shares

**Issued**

|  | Shares            | Amount<br>\$      |
|--|-------------------|-------------------|
| Balance at December 31, 2019                 | 59,868,716        | 13,419,018        |
| Exchangeable Warrants exercised              | 2,269,744         | 703,264           |
| <b>Balance at December 31, 2020</b>          | <b>62,138,460</b> | <b>14,122,282</b> |
| Reduction in Exchangeable Warrants exercised | (9,074)           | (2,857)           |
| Shares issued in private placement           | 2,500,000         | 500,000           |
| <b>Balance at December 31, 2021</b>          | <b>64,629,386</b> | <b>14,619,425</b> |

During the year ended December 31, 2020, Exchangeable Warrants with an estimated fair value of \$703,264 at the time of exercise, were exchanged for 2,269,744 Buchans shares. During 2021, the Company became aware of an error in the number of Exchangeable Warrants exchanged into Buchans Shares resulting in a reduction of 9,074 shares at a value of \$2,857.

On December 29, 2021, the Company completed a private placement financing of \$500,000 through the issue of 2,500,000 flow-through shares at a price of \$0.20 per flow through share. John F. Kearney, Chairman, purchased the 2,500,000 flow-through shares for gross proceeds of \$500,000. The proceeds of \$500,000 from the issuance of flow-through shares must be spent on qualifying Canadian Exploration Expenditures by December 31, 2022.

**14. RELATED PARTY TRANSACTIONS**

Transactions between the Company and its subsidiary have been eliminated on consolidation and are not disclosed. At December 31, 2021, the Company had only one subsidiary, Buchans Minerals Corporation.

The directors are considered key management personnel of the Company in accordance with IAS 24 'Related Party Disclosures'. No fees were paid by the Company to directors for their services as directors of the Company in the years ended December 31, 2021 and 2020.

During the year ended December 31, 2021, the Company paid or accrued \$2,058 to Steenberglaw Professional Corporation, a corporation controlled by Neil Steenberg, secretary of the Company, for consulting services (2020 - \$32,844).

Included in accounts payable and accrued liabilities at December 31, 2021 is \$1,187 payable to Steenberglaw Professional Corporation for consulting services (2020 - \$854).

Included in accounts receivable at December 31, 2021 is \$4,478 (2020 - \$278,755) receivable from related parties, including \$4,478 (2020 - \$140,202) from Canadian Manganese Co. Inc. covering administration services, \$Nil (2020 - \$129,553) from Minco Exploration Plc covering administration services, and \$Nil (2020 - \$9,000) receivable from Labrador Iron Mines for rent. These companies are related through John F. Kearney, Chairman of the Company, being a director on all companies mentioned.

On December 29, 2021, the Company completed a private placement financing of \$500,000 through the issue of 2,500,000 flow-through shares at a price of \$0.20 per flow through share to John F. Kearney, Chairman of the Company. See Note 13.

All amounts owing to or from related parties are non-interest bearing, unsecured and due on demand unless otherwise stated.



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**15. COMMITMENTS AND CONTINGENCIES**

In connection with financings completed by the issuance of flow-through shares, the Company provided subscribers with indemnification for any tax liability that may arise if the Company is found to have not incurred the qualifying exploration expenditures required in accordance with the flow-through subscription agreements. Pursuant to the December 31, 2021 flow-through financing disclosed in Note 13, the Company is obligated to incur \$500,000 flow-through expenditures by December 31, 2022.

The Company is party to certain employment contracts which contain aggregate minimum commitments of approximately \$281,000 (2020 - \$281,000) under certain circumstances, which contingent commitments have not been reflected in these financial statements as the triggering event has not occurred.

**16. INCOME TAXES**

a) **Provision for Income Taxes**

The reconciliation of the combined Canadian federal and provincial statutory income tax rates of 26.5% (2020 – 26.5%) to the effective tax rate is as follows:

|  | 2021        | 2020      |
|--|-------------|-----------|
|  | \$          | \$        |
| Loss before income taxes                             | (1,409,121) | 2,930,790 |
| Expected income tax recovery based on statutory rate | (380,000)   | 777,000   |
| Adjustments to expected income tax benefit:          |             |           |
| Expenses not deductible for tax purposes             | 489,000     | 19,000    |
| Change in unrecorded deferred tax assets             | (109,000)   | (796,000) |
| Deferred income tax provision (recovery)             | -           | -         |

b) **Deferred Income Taxes**

Deferred taxes are a result of the temporary differences that arise between the income tax values and the carrying amount of assets and liabilities:

|  | 2021      | 2020      |
|--|-----------|-----------|
|  | \$        | \$        |
| Recognized deferred tax assets and liabilities |           |           |
| Non-capital loss carry-forwards                | 739,000   | 739,000   |
| Mineral property costs                         | (739,000) | (739,000) |
| Deferred income tax liability                  | -         | -         |

Deferred tax assets have not been recognized in respect of following deductible temporary differences:

|                                  | 2021       | 2020      |
|----------------------------------|------------|-----------|
|                                  | \$         | \$        |
| Unrecognized deferred tax assets |            |           |
| Non-capital loss carry-forwards  | 4,738,000  | 7,551,000 |
| Capital loss carry-forwards      | 3,057,000  | 944,000   |
| Investments                      | 2,349,000  | 979,000   |
| Other temporary differences      | 10,000     | 65,000    |
|                                  | 10,154,000 | 9,539,000 |

No deferred tax asset has been recognized on the temporary differences related to the Company's investment in its associate to the extent that the Company controls the timing of the reversal of the temporary differences and it is probable that these differences will not reverse in the foreseeable future.

The tax losses expire from 2028 to 2041. The other temporary difference do not expire under current legislation. Deferred tax assets have not been recognized in respect of these items because it is not probably that future taxable profit will be available against which the Company can use the benefits.

## **17. 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 during the financial statements reporting period.

### **Fair value**

The Company has designated its exchangeable warrants and short-term investments as fair value through profit or loss ("FVPL"), which are measured at fair value. Cash and cash equivalents, and receivables and other assets are measured at amortized cost. Trade and other payables, CEBA loans payable and lease obligations are classified for accounting purposes as financial liabilities measured at amortized cost.

As at December 31, 2021 and 2020, the carrying and fair value amounts of the Company's current financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### **Fair value hierarchy**

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). During the years ended December 31, 2021 and 2020, the Company's financial instruments that are carried at fair value, consisting of investment in warrants of Xtierra and Exchangeable Warrants, have been classified as Level 2 within the fair value hierarchy, and an investment in marketable securities has been classified as Level 1 within the fair value hierarchy. There have been no transfers in or out of Levels 1, 2 and 3 of the fair value hierarchy during the years ended December 31, 2021 and 2020.

### **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 banks with a credit rating of at least BBB-. 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 client or vendor will be unable to pay or receive any amounts owed to or owed by the Company. Management's assessment of the Company's risk is low as it is primarily attributable to funds held in banks. The note receivable from Xtierra is subject to higher credit risk, however, management believes that it remains recoverable. See Notes 10 and 21.

### **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 zinc lead and copper.

### **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 of \$1,070,738 (2020 - \$780,219) to settle current liabilities of \$60,537 (2020 - \$449,331). Other than the CEBA loans repayable in 2023, all of 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 is exposed to market risk with respect to its marketable securities and unfavourable market conditions could result in dispositions of marketable securities at less than favorable prices.

### **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.

### **Foreign currency risk**

Although the Company is incorporated in Canada, the Company has operations in Ireland and UK, none of which presently generate cash from operations, and may hold cash investments in Canadian and US Dollars, Euros or Sterling. The functional currency of the Company's operations is the Canadian Dollar. However, expenditures are not considered to be a monetary asset, and have been translated to the functional currency at the rates of exchange ruling at the dates of the original transactions. The Company also has transactional currency exposures. Such exposures arise from expenses incurred by the Company in currencies other than the functional currency.

**17. FINANCIAL INSTRUMENTS (CONTINUED)**

The impact of foreign currencies has been determined based on the balances of financial assets and liabilities at December 31, 2021. The sensitivity analysis includes outstanding foreign currency denominated monetary items and largely results from a note receivable, payables and receivables and adjusts their translation at the period end for a 5% change in foreign currency rates. A 5% change in the US Dollar exchange rate could result in a foreign exchange impact to the net income of approximately \$8,000 based on monetary assets and liability balances existing at December 31, 2021.

**18. 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, primarily to equity financing, to support the exploration and development of mineral properties and maintain the necessary corporate and administrative functions to facilitate these activities. 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.

There were no significant changes to the Company's approach to capital management during the years ended December 31, 2021 and 2020. Neither the Company nor its subsidiary are subject to externally imposed capital requirements.