CMC METALS LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended December 31, 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company for the three months ended December 31, 2021 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

CMC METALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021 and September 30, 2021
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	December 31, 2021	September 30, 2021
ASSETS		
Current		
Cash	$ 628,740	$ 524,107
Receivables	75,077	62,316
Prepaid expenses	33,767	30,715
	737,584	617,138
Non-current		
Reclamation bond (Notes 5 and 9)	401,092	402,311
TOTAL ASSETS	$ 1,138,676	$ 1,019,449
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 300,222	$ 283,661
Due to related parties (Note 11)	-	14,895
Preferred shares (Note 8)	500,000	500,000
Flow-through premium (Note 10)	75,000	-
	875,222	798,556
Non-current		
Loan payable (Note 7)	29,220	24,646
Provision for restoration and environmental obligation (Note 9)	391,502	392,722
TOTAL LIABILITIES	1,295,944	1,215,924
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 10)	23,814,819	23,404,022
Share subscription receivable	(250,000)	-
Share-based payment reserve	1,534,440	958,266
Deficit	(25,256,527)	(24,558,763)
TOTAL SHAREHOLDERS' DEFICIENCY	(157,268)	(196,475)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$ 1,138,676	$ 1,019,449

Nature and continuance of operations – (Note 1)
Commitments – (Notes 6, 7 and 9)
Subsequent events – (Notes 6 and 13)

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

"Kevin Brewer" — Kevin Brewer

"John Bossio" — John Bossio

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

CMC METALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three months ended December 31, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	For the three months ended December 31, 2021	For the three months ended December 31, 2020
Administrative expenses		
Consulting fees (Note 11)	$ 73,954	$ 27,590
Exploration expenditures (Notes 6 and 9)	217,510	175,574
Filing fees and transfer agent	4,500	12,230
Interest	2,171	-
Management fees (Note 11)	1,570	-
Marketing	12,992	3,573
Office and miscellaneous (Note 11)	14,185	24,963
Professional fees	59,109	3,201
Rent (Note 11)	-	4,500
Share-based payments (Notes 10 and 11)	312,221	-
Travel	24,968	4,055
	723,180	252,686
Loss before other items	(723,180)	(252,686)
Other items		
Government Grant (Note 7)	15,426	-
Gain on sale of equipment	9,388	-
Gain (loss) on foreign exchange	602	(8,864)
	25,416	(8,864)
Net loss and comprehensive loss for the period	$ (697,764)	$ (261,550)
Basic and diluted loss per share	$ (0.01)	$ (0.00)
Weighted average number of common shares outstanding	97,153,696	67,594,278

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

CMC METALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIENCY) EQUITY
For the three months ended December 31, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	Number of Shares	Share Capital	Subscriptions Received in Advance	Share-Based Payment Reserve	Deficit	Total Shareholders' Equity (Deficiency)
Balance, September 30, 2020	66,345,385	$ 20,654,620	$ 2,500	$ 611,437	$ (21,531,268)	$ (262,711)
Share issuances for cash	4,244,973	252,399	-	-	-	252,399
Share subscriptions received in advance	-	-	583,125	-	-	583,125
Reallocation on exercise of warrants	-	146,208	-	(146,208)	-	-
Loss and comprehensive loss for the period	-	-	-	-	(261,550)	(261,550)
Balance, December 31, 2020	70,590,358	$ 21,053,227	$ 585,625	$ 465,229	$ (21,792,818)	$ 311,263
Balance, September 30, 2021	94,507,500	$ 23,404,022	$ -	$ 958,266	$ (24,558,763)	$ (196,475)
Share issuances for cash	7,500,000	513,347	(250,000)	236,653	-	500,000
Share issue cost – cash	-	(45,500)	-	-	-	(45,500)
Agent's warrants issued	-	(27,300)	-	27,300	-	-
Reallocate flow-through premium	-	(75,000)	-	-	-	(75,000)
Share-based payments	-	-	-	312,221	-	312,221
Shares issued for properties	450,000	45,250	-	-	-	45,250
Loss and comprehensive loss for the period	-	-	-	-	(697,764)	(697,764)
Balance, December 31, 2021	102,457,500	$ 23,814,819	$ (250,000)	$ 1,534,440	$ (25,256,527)	$ (157,268)

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

CMC METALS LTD.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three months ended December 31, 2021 and 2020
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

	For the three months ended December 31, 2021	2020
Operating Activities		
Net loss for the period	$ (697,764)	$ (261,550)
Items not affecting cash		
Government grant	(15,426)	-
Share-based payments	312,221	-
Shares issued for exploration and evaluation asset	45,250	-
Changes in non-cash working capital items related to operations:		
Receivables	(12,761)	48,677
Prepaids and deposit	(3,052)	2,515
Accounts payables and accrued liabilities	16,561	(65,755)
Due to related parties	(14,895)	(35,108)
Cash used in operating activities	(369,866)	(311,221)
Financing Activities		
Proceeds on issuance of common shares	500,000	252,399
Subscriptions received in advance	-	583,125
Share issuance costs	(45,500)	-
RRRF Loan	20,000	-
Cash provided by financing activities	474,500	835,524
Effect of foreign exchange on cash	-	11,789
Change in cash during the period	104,634	536,092
Cash, beginning of period	524,107	300,610
Cash, end of the period	$ 628,741	$ 836,702

Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period		
Interest	$ -	$ -
Income taxes	-	-
Non-cash transactions:		
Shares issued for settlement of debt	$ -	$ 1,091,175
Fair value of agent's warrants	27,300	-
Fair value on transfer from reserve on exercise of warrants	-	99,890

1. NATURE AND CONTINUANCE OF OPERATIONS

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

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

These condensed interim consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As of December 31, 2021, the Company had not advanced its properties to commercial production and has accumulated deficit of $25,256,526. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These uncertainties indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors, by continuing to pursue additional sources of financing through equity offerings, seeking joint venture partners to fund exploration, monitoring exploration activity and reducing overhead costs.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about by the pandemic's impact on its business, results of operations, financial position and cash flows in the future.

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

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

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

Basis of preparation

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The condensed interim financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at September 30, 2021. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2021.

Recent accounting pronouncements

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

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

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

4. Critical accounting estimates, assumptions and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments, estimates and assumptions in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Going Concern

The assessment of the Company's ability to continue as a going concern require significant judgement. See Note 1.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. RECLAMATION BOND

The Company has a reclamation bond held in trust by the Bureau of Land Management. As of December 31, 2021, the reclamation bond consists of a deposit of $245,433 (September 30, 2021 - $246,652) made by the Company for indemnification of site restoration of the Company's Bishop Mill Property (Note 6).

During the year ended September 30, 2021, the Company advanced $9,589 to the Government of the Yukon Territory as additional security deposit for site restoration on the Silver Hart property. This is in addition to the $146,070 letter of Credit that was provided to the Government of the Yukon Territory (Note 9). The letter of Credit is secured by the Company's Guaranteed Investment Certificate of $146,070 and recorded in reclamation bond. As at December 31, 2021, there were no additional payments made to the Government of the Yukon Territory.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION EXPENDITURES

	Silver Hart	Bishop Mill	Bridal Veil	Rancheria	Amy and Silverknife	Terra Nova	Total
Costs incurred during the period:							
Acquisition costs	$ -	$ -	$ 29,000	$ 26,250	$ -	$ 10,000	$ 65,250
Assaying	69,183	-	-	-	-	-	69,183
Contractors	3,181	-	1,885	40	346	1,178	6,630
Clean up costs	-	5,660	-	-	-	-	5,660
Equipment rental	9,705	-	-	-	-	-	9,705
Field office	8,082	-	-	-	-	-	8,082
Geological	22,347	-	13,393	135	-	-	35,875
Geophysical	4,000	-	3,000	1,000	-	-	8,000
Supervision fees	3,600	-	-	-	-	-	3,600
Travel expenses	5,525	-	-	-	-	-	5,525
For the three months ended December 31, 2021	$ 125,623	$ 5,660	$ 47,278	$ 27,425	$ 346	$ 11,178	$ 217,510

Silver Hart Property

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

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

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

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

The Company was subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart Property. Accordingly, the Company has recognized its obligation to remediate the claim and have provided reclamation deposits on a progressive basis (Notes 5 and 9).

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

Blue Heaven Property

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

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

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

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

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

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

Bishop Mill Property

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

Bridal Veil Property

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

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

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

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

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

Rancheria Property

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

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

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

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

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

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

Amy and Silverknife Property

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

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

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

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

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

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

Terra Nova Property

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

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

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

7. LOANS

Regional Relief and Recovery Fund Loan

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

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

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

Upon initial receipt, the Company recorded the RRRF Loan at a fair value of $19,478, based on a prevailing market rate of 17%. The Company recorded the result of the benefit received from the interest-free RRRF Loan of $10,522 as a government grant. The portion of the forgivable RRRF Loan of $10,000 was also treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan. During the year ended September 30, 2020, the government grant of $10,522 has been amortized and recognized in profit or loss. During the year ended September 30, 2021, the Company recorded $3,581 (September 30, 2020 – $1,586) in interest on the RRRF Loan.

During the period ended December 31, 2021, the Government of Canada extended the December 31, 2022 repayment deadline to December 31, 2023 and issued an additional $20,000 in RRRF to the Company to the maximum of $60,000. The Company recorded the additional RRRF loan at a fair value of $7,305 based on the same rates as of the previous loan. The Company recorded the result of the benefit of $2,695 as a government grant. The portion of the forgivable RRRF Loan of $10,000 was treated as a government grant, given reasonable assurance that the Company will meet the terms for forgiveness of the loan. The Company re-valued the original RRRF Loan for the extension and recognized a benefit of $2,731 as a government grant.

8. PREFERRED SHARES

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

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

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

9. RESTORATION AND ENVIRONMENTAL OBLIGATIONS

The Company estimated the fair value of the liabilities for reclamation that arose as a result of past exploration activities to be $391,502 (September 30, 2021 - $392,722) for the Bishop Mill Property and Silver Hart Property (Notes 5 and 6). The fair value of the liability was determined to be equal to the estimated remediation costs. The timing of the cash flow related to the reclamation activities is uncertain.

The Company was subject to a claim made by the Government of the Yukon Territory related to the remediation of the Silver Hart mineral property pursuant to its exploration program. The Company's provision for future site closure and reclamation costs is based on the level of known disturbance at the reporting date and known legal requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The Company has accrued a provision of $146,070 (September 30, 2021 -$146,070) by way of estimating its obligation to remediate the claim. This liability is secured by a Letter of Credit secured by a guaranteed investment certificate for the same amount which bore interest at 0.31% per annum and cashable at maturity and is included in reclamation bond at December 31, 2021 and September 30, 2021.

10. SHARE CAPITAL

Authorized

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

Issued common shares

As at December 31, 2021 – 102,457,500 (September 30, 2021 – 94,507,500) common shares are issued and outstanding.

For the three months ended December 31, 2021

On December 3, 2021, the Company issued 7,500,000 flow-through (FT) units at a price of $0.10 per FT unit. Each FT unit consists of one common share of the company to be issued as a flow-through share within the meaning of the Income Tax Act (Canada) and one-half of one transferable share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share of the company at a price of $0.15 per share on or before December 3, 2023. A fair value of $236,653 was allocated to the 3,750,000 warrants using the Black-Scholes Option Pricing Model with the following assumptions: risk-free-interest-rate – 0.99%, annual dividends – nil, expected life – 24 months, expected stock price volatility – 137%. In connection to the financing the Company paid a finders fees of $45,500 and issued 455,000 non-transferable warrants exercisable at $0.10 per share expiring on December 3, 2023. The Company fair value the finders' warrants at $27,300 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.99%; annual dividends - nil; expected life - 24 months; expected stock price volatility- 137%. The Company recognized a flow-through premium of $75,000 on the private placement.

On October 27, 2021, the Company issued 250,000 common shares at a fair value of $26,250, pursuant to the Rancheria mineral property option agreement (Note 6).

On October 6, 2021, the Company issued 200,000 common shares at a fair value of $19,000, pursuant to the Bridal Veil mineral property option agreement (Note 6).

For the year ended September 30, 2021

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

10. SHARE CAPITAL – (cont'd)

Issued common shares – (cont'd)

For the year ended September 30, 2021 – (cont'd)

On March 4, 2021, the Company issued 100,000 common shares at a fair value of $19,500, pursuant to the Amy and Silverknife Property option agreement (Note 6).

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

On December 15, 2020, the Company issued 100,000 common shares at a fair value of $12,000, pursuant to the Rancheria Property option agreement (Note 6).

On December 15, 2020, the Company issued 120,000 common shares at a fair value of $14,400 pursuant to the Bridal Veil Property option agreement (Note 6).

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

Stock options

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

On January 13, 2021, the Company granted 2,010,000 stock options at a price of $0.20 per share expiring on January 13, 2026 to certain of its directors, officers, employees, and consultants of the Company pursuant to the Company's Rolling Share Option Plan. 1,760,000 of the options granted vest over 90 days, and 250,000 of the options granted vest in stages over a period of twelve months from the date of grant with no more than one-quarter of the options. The weighted average fair value of stock options granted was $324,012 using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate – 0.36%; annual dividends - nil; expected life - 60 months; expected stock price volatility- 147%. During the year ended September 30, 2021, the Company recorded $323,940 in share-based payments for vested stock options. During the three months ended December 31, 2021, the Company recorded $72.

On July 2, 2021, the Company granted 950,000 stock options to directors, officers and to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of $0.13 per share expiring on July 2, 2026 and vested at 25% every quarter with the first vesting on October 2, 2021. The fair value of the stock options of $117,705 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of $0.13; Risk-free interest rate of 0.78%; Dividend yield of nil; Expected volatility of 177%; Expected life of 5 years. During the year ended September 30, 2021, the Company recorded $60,102 in share-based payments for vested stock options. During the three months ended December 31, 2021, the Company recorded $32,649.

On December 31 2021, the Company granted 2,500,000 stock options to directors, officers and to consultants of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of $0.12 per share expiring on December 31, 2026 and vested at the date of grant. The fair value of the stock options of $279,500 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of $0.13; Risk-free interest rate of 1.30%; Dividend yield of nil; Expected volatility of 128%; Expected life of 5 years. During the three months ended December 31, 2021, the Company recorded $279,500.

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

(Expressed in Canadian dollars)

10. SHARE CAPITAL – (cont'd)

Stock options – (cont'd)

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

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2020	-	$-
Granted	2,960,000	$0.18
Balance, September 30, 2021	2,960,000	$0.18
Granted	2,500,000	$0.12
Balance, December 31, 2021	5,460,000	$0.15

As at December 31, 2021, the Company had stock options outstanding enabling holders to acquire the following:

Number of Options	Vested	Weighted Average Remaining Life	Exercise Price per Option	Expiry Date
2,010,000	2,010,000		$0.20	January 13, 2026
950,000	237,500		$0.13	July 2, 2026
2,500,000	2,500,000		$0.12	December 31, 2026
5,460,000	4,747,500	4.56 years		

Share-based payment reserve:

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

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, September 30, 2020	19,192,880	$0.08
Issued	12,098,569	$0.26
Expired	(500,000)	$0.10
Exercised	(18,692,880)	$0.07
Balance, September 30, 2021	12,098,569	$0.26
Issued	4,205,000	$0.14
Balance, December 31, 2021	16,303,569	$0.23

(Expressed in Canadian dollars)

10. SHARE CAPITAL – (cont'd)

Warrants – (cont'd)

As at December 31, 2021, the Company had share purchase warrants outstanding enabling holders to acquire the following:

Number of Share Purchase Warrants	Number of Share Purchase Warrants	Total Number of Share Purchase Warrant	Weighted Average Remaining Life	Exercise Price per Share	Expiry Date
2 for 1 basis	1 for 1 basis				
4,800,000	-	4,800,000		$0.20	January 13, 2023
7,099,235	199,334	7,298,569		$0.30	June 14, 2023
-	3,750,000	3,750,000		$0.15	December 3, 2023
-	455,000	455,000		$0.10	December 3, 2023
11,899,235	4,404,334	16,303,569	1.45 years		

11. RELATED PARTY TRANSACTIONS

The Company entered the following transactions with related parties:

a) incurred rent of $Nil (December 31, 2020 – $4,500) to a company controlled by a significant shareholder of the Company.
b) incurred secretarial fees of $Nil (December 31, 2020 – $12,450) to a company controlled by a significant shareholder of the Company which was recorded in office and miscellaneous.
c) incurred consulting fees, management fees and exploration expenditures of $39,457 (December 31, 2020 - $49,981) to a director or a company controlled by a director and officer of the Company.
d) Incurred share-based payments of $266,623 (December 31, 2020 - $Nil) to directors and officers of the Company.

On December 31, 2021, a total of $Nil (September 30, 2021 - $14,895) was owing to directors of the Company, unsecured, non-interest bearing, no specific terms of repayment.

12. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

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

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

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

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

Credit risk

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

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

Liquidity risk

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

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

The Company has a working capital deficiency at December 31, 2021. Liquidity risk is assessed as high.

Foreign exchange risk

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

Interest rate risk

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

Capital management

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

13. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company:

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

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