BESSOR MINERALS INC.

FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2021 AND 2020

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bessor Minerals Inc.

Opinion

We have audited the financial statements of Bessor Minerals Inc. (the "Company"), which comprise the statements of financial position as at October 31, 2021 and 2020, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which describes events and conditions that indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 on the audit resulting in this independent auditor's report is David Goertz.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

February 28, 2022

MOORE

An independent firm
associated with Moore
Global Network Limited

BESSOR MINERALS INC.
Statements of Financial Position
As at October 31,
(Expressed in Canadian Dollars)

		October 31, 2021		October 31, 2020
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 5)	$	**361,297**	$	480,423
Accounts receivable		**1,311**		744
Prepaid expenses		**654**		579
		363,262		481,746
RECLAMATION ADVANCE (Note 6)		**5,000**		5,000
MINERAL EXPLORATION AND EVALUATION ASSETS (Notes 7 and 11)		**480,740**		415,453
MARKETABLE SECURITIES (Note 8)		**1**		1
	$	**849,003**	$	902,200
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	**10,000**	$	14,034
EQUITY				
SHARE CAPITAL (Note 9)		**9,606,071**		9,571,071
RESERVE (Note 10)		**1,056,536**		1,056,536
DEFICIT		**(9,823,604)**		(9,739,441)
		839,003		888,166
	$	**849,003**	$	902,200

Approved on behalf of the Board of Directors:

"Kieran Downes" ……………………………… Director
Kieran Downes

"David Billard" ……………………………… Director
David Billard

See accompanying notes to financial statements.

BESSOR MINERALS INC.
Statements of Loss and Comprehensive Loss
For the Years Ended October 31,
(Expressed in Canadian Dollars)

		2021		2020
EXPENSES				
Foreign exchange loss	$	-	$	18
General and administration		14,403		15,033
Management fees (Note 11)		24,000		24,000
Professional fees		22,818		22,456
Public company costs		24,720		12,044
Travel and related costs		441		210
		86,382		73,761
LOSS BEFORE OTHER INCOME		(86,382)		(73,761)
FINANCE INCOME		2,219		4,207
NET LOSS AND COMPREHENSIVE LOSS	$	(84,163)	$	(69,554)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED		20,444,527		19,993,820
BASIC AND DILUTED LOSS PER SHARE	$	(0.00)	$	(0.00)

See accompanying notes to financial statements.

BESSOR MINERALS INC.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Reserve	Deficit	Total Equity
Balance, October 31, 2019	19,985,623	$ 9,548,571	$ 1,056,536	$ (9,669,887)	$ 935,220
Shares issued for mineral exploration and evaluation assets	300,000	22,500	-	-	22,500
Net loss for the year	-	-	-	(69,554)	(69,554)
Balance, October 31, 2020	20,285,623	9,571,071	1,056,536	(9,739,441)	888,166
Shares issued for mineral exploration and evaluation assets	500,000	35,000	-	-	35,000
Net loss for the year	-	-	-	(84,163)	(84,163)
Balance, October 31, 2021	20,785,623	$ 9,606,071	$ 1,056,536	$ (9,823,604)	$ 839,003

See accompanying notes to financial statements.

BESSOR MINERALS INC.
Statements of Cash Flow
For the Years Ended October 31,
(Expressed in Canadian Dollars)

		2021		2020
OPERATING ACTIVITIES				
Net loss	**$**	**(84,163)**	$	(69,554)
Changes in non-cash working capital				
Accounts receivable		**(567)**		(34)
Prepaid expenses		**(75)**		8
Accounts payable and accrued liabilities		**(4,034)**		(939)
CASH USED IN OPERATING ACTIVITIES		**(88,839)**		(70,519)
INVESTING ACTIVITIES				
Investment in mineral exploration and evaluation assets		**(30,287)**		(6,200)
Refund of Mineral Exploration Tax Credit		**-**		360
CASH USED IN INVESTING ACTIVITIES		**(30,287)**		(5,840)
CHANGE IN CASH AND CASH EQUIVALENTS		**(119,126)**		(76,359)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**480,423**		556,782
CASH AND CASH EQUIVALENTS, END OF YEAR	**$**	**361,297**	$	480,423
SUPPLEMENTAL CASH FLOW INFORMATION				
Interest received	**$**	**2,219**	$	4,207
Income tax paid	**$**	**-**	$	-
Non-cash financing activities				
Shares issued for mineral exploration and evaluation assets	**$**	**35,000**	$	22,500
CASH AND CASH EQUIVALENTS				
Cash	**$**	**8,478**	$	28,022
Guaranteed investment certificates		**352,819**		452,401
	$	**361,297**	$	480,423

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS

Bessor Minerals Inc. (the "Company") of Box 37033 Country Club PO, Nanaimo, British Columbia, V9T 6N4 was incorporated under the *Business Corporations Act* (Alberta) on June 4, 2007. A Plan of Arrangement between the Company, Signet Minerals Inc. and Cash Minerals Ltd. was completed on August 7, 2007. The Company was listed on the TSX Venture Exchange ("TSX-V") on September 20, 2007. The Company trades under the symbol "BST". The principal business of the Company is the identification, evaluation and acquisition of mineral properties, as well as exploration of mineral properties once acquired.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company is in the process of exploring and evaluating its mineral exploration and evaluation assets. On the basis of the information to date, it has not yet determined whether these assets contain economically recoverable ore reserves. The underlying value of the mineral exploration and evaluation assets and related deferred costs is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as mineral exploration and evaluation assets and deferred exploration costs represent net costs to date, less any amounts written off, and do not necessarily represent present or future values.

The Company's ability to continue as a going concern is dependent on accessing capital markets or entering into collaborative agreements that would provide additional financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Realization values may be substantially different from carrying values as shown. These financial statements do not include any adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact on the Company's project exploration activities, liquidity and the ability to obtain financing.

3. BASIS OF PRESENTATION

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board and the International Financial Reporting Issues Committee ("IFRIC").

3. BASIS OF PRESENTATION (continued)

Approval of the financial statements

The financial statements of the Company for the year ended October 31, 2021 were reviewed by the Audit Committee, and authorized for issue on February 28, 2022 by the Board of Directors of the Company.

Measurement basis

The financial statements are presented in Canadian dollars, which is the functional currency of the Company. The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments, which are stated at their fair values.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates

Significant areas requiring the use of management estimates include the determination of impairment of mineral exploration and evaluation assets, the valuation of the investment in K2 Resources Inc. ("K2"), the recoverability and measurement of deferred income tax assets and liabilities, and the recognition and valuation of provisions for restoration and environmental liabilities. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Significant accounting judgments

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 include the Company's going concern assessment.

Cash and cash equivalents

Cash equivalents consist of highly liquid investments that are readily convertible into cash and are subject to an insignificant risk of change in value. Interest from cash is recorded on an accrual basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral exploration and evaluation

Expenditures incurred before the entity has obtained the legal rights to explore a specific area are expensed. Expenditures related to the development of mineral resources are not recognized as exploration and evaluation assets. Expenditures related to development are accounted for as an asset only when technical feasibility and commercial viability of a specific area are demonstrable and when recognition criteria of International Accounting Standard ("IAS") 16 *Property, Plant and Equipment* or IAS 38 *Intangible Assets* are met.

All costs directly associated with property acquisition and exploration activities are capitalized as exploration and evaluation assets. Costs that are capitalized are limited to costs related to the acquisition and exploration activities that can be associated with finding specific mineral resources, and do not include costs related to production and administrative expenses and other general indirect costs.

Costs related to the acquisition of mineral property interests and to exploration and evaluation expenditures are capitalized until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable, exploration and evaluation assets will be reclassified as mining assets under development. Exploration and evaluation assets will be assessed for impairment before reclassification, and any impairment loss will then be recognized.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral property interest, as consideration, for an agreement by transferee to meet certain exploration and evaluation expenditures that would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral property interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Impairment of non-financial assets

Exploration and evaluation assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable and at each reporting date. The recoverability tests are carried out on a property-by-property basis. Impairment of a property is generally considered to have occurred if one of the following factors is present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration work is discontinued in an area for which commercially viable quantities have not been discovered, or there are indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are cash-generating units. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of loss and comprehensive loss. Current tax expense (recovery) is the expected tax payable on the taxable loss for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

At each financial reporting date presented, the Company has not incurred any decommissioning costs related to the mineral exploration and evaluation assets, and accordingly, no provision has been recorded for such site reclamation or abandonment.

Equity issuances

The proceeds from equity issuances are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares, being the closing bid price on announcement date, and any residual value is allocated to common share purchase warrants.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company has a stock option plan that is described in Note 9(c).

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument on the date of grant using the Black-Scholes option pricing model. The grant date fair value is recognized in net income (loss) over the vesting period, described as the period during which all the vesting conditions are satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in net loss, unless they are related to the issuances of shares. Amounts related to the issuances of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is determined using the Black-Scholes option pricing model. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock. The amount recognized as expense is adjusted to reflect the number of stock options expected to vest. For both employees and non-employees, where the terms and conditions are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also charged to share-based compensation in net income (loss) over the remaining vesting period.

All equity-settled share-based payments are reflected in reserve until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserve is credited to share capital, adjusted for any consideration paid. Amounts recorded in reserve for unexercised share options remain in reserve upon their expiry or cancellation.

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

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share for 2021. For 2021, there were no potentially dilutive common shares related to stock options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares.

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The shares issued require that the Company make certain qualifying expenditures for tax purposes within two years of issuance, the deduction of which flow through to the shareholders. Accordingly, the Company is not entitled to the related taxable income deductions for such expenditures, giving rise to taxable temporary differences for accounting purposes. A portion of the deferred income tax assets that were not recognized in previous years are recognized as a recovery of income taxes in the statement of loss and comprehensive loss.

The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference ("premium") between the quoted price of the Company's existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium ("other liability") and is reversed into net loss as a deferred tax recovery when the eligible expenditures are incurred, and the Company has enough available unused non-capital losses. If the flow-through shares are not issued at a premium, a liability is not recorded.

Financial instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVOCI") are measured at fair value through profit or loss ("FVTPL"). On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in net loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method. Financial assets measured at FVOCI are measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statement of loss and comprehensive loss. When the financial instrument is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

(Expressed in Canadian Dollars, unless otherwise stated)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

New accounting standard adopted during the year

IAS 1 Presentation of Financial Statements

IAS 1 has been amended to clarify classification of liabilities as current or non-current. The amendments are effective for years beginning on or after January 1, 2023. The amendment is expected to have no impact for the Company.

5. CASH AND CASH EQUIVALENTS

At October 31, 2021, the Company held one cashable guaranteed investment certificate ("GIC") with a total value of $202,243, interest at 0.30% and a maturity date of April 19, 2022, and another cashable GIC with a total value of $150,027, interest at 0.30% and a maturity date of April 28, 2022.

At October 31, 2020, the Company held one cashable GIC with a total value of $225,000, interest at 0.80% and a maturity date of April 17, 2021, and another cashable GIC with a total value of $225,427, interest at 0.80% and a maturity date of April 28, 2021.

Included in the balance of cash and cash equivalents is $549 (2020 - $1,974) of accrued interest.

6. RECLAMATION ADVANCE

During the year ended October 31, 2015, the Company advanced $5,000 to the Minister of Finance of British Columbia as a security deposit for exploration work on the Redhill property (Note 7). The amount is without interest.

7. MINERAL EXPLORATION AND EVALUATION ASSETS

Redhill

On July 8, 2015, and as amended July 30, 2019 and September 15, 2020, the Company entered into an option agreement with Homegold Resources Ltd. ("Homegold"). Under the terms of the option, the Company may acquire a 100% interest in the Redhill property located in British Columbia by making option payments as follows:

- $5,000 upon signing of the agreement (paid);
- $5,000 on or before each of July 8, 2016 and July 8, 2017 (paid);
- $10,000 on or before July 8, 2018 (paid);
- $7,500 and 300,000 common shares of the Company upon TSX-V acceptance of the July 30, 2019 amendment (paid and issued);
- $5,000 and 300,000 common shares of the Company upon TSX-V acceptance of the September 15, 2020 amendment (paid and issued);
- $17,500 and 500,000 common shares of the Company on or before July 8, 2021 (paid and issued);
- $15,000 and 500,000 common shares of the Company on or before July 8, 2022;
- $40,000 on or before each of July 8, 2023 and July 8, 2024; and
- $255,000 on or before July 8, 2025.

In addition to the option payments, the Company must spend $650,000 on exploration under the terms of the original agreement as follows:

- $20,000 on or before the first anniversary of the agreement (spent);
- $50,000 on or before the second anniversary of the agreement (spent);
- $150,000 on or before the third anniversary of the agreement (spent);
- $30,000 on or before the fourth through ninth anniversaries of the agreement (spent);
- An additional $150,000 on or before November 15, 2022, as a result of the September 15, 2020 amendment; and
- $100,000 on or before the tenth anniversary of the agreement.

If the Company exercises the option, Homegold will retain a 2% net smelter return royalty, one-half (1%) of which can be purchased by the Company for $1,000,000 at any time. In the event of commercial production or sale of 100% of the property, Homegold will receive a bonus payment of $500,000 in cash or shares at the election of Homegold. Expenditures can be accelerated at the Company’s election and excess expenditures in any year will be credited towards future years.

(Expressed in Canadian Dollars, unless otherwise stated)

7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

At October 31, 2021, expenditures incurred on mineral exploration and evaluation assets are as follows:

		Redhill
Balance, October 31, 2019	**$**	**387,113**
Acquisition Costs		27,500
Deferred Exploration Costs		
Drilling		1,200
Total Deferred Exploration Costs		1,200
Mineral Exploration Tax Credit		(360)
Balance, October 31, 2020		**415,453**
Acquisition Costs		52,500
Deferred Exploration Costs		
Drilling		1,200
Geological		11,947
Total Deferred Exploration Costs		13,147
Mineral Exploration Tax Credit		(360)
Balance, October 31, 2021	**$**	**480,740**

8. MARKETABLE SECURITIES

The Company has an investment in 2,250,000 common shares in K2, representing approximately 2% of the common shares. K2 is a private company with a portfolio of mineral properties. Management completed a thorough analysis as to the valuation of the investment in K2. Due to a lack of financial information, a lack of confirmation of potential liabilities, no guarantee that K2 will actively explore its mineral properties, and the fact that there is no liquid market for the K2 common shares, the Company has determined the fair value of the investment in K2 to be $1 (2020 - $1). A director of the Company is an officer, director and shareholder of K2.

9. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without nominal or par value
Unlimited number of preferred shares

The preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

(Expressed in Canadian Dollars, unless otherwise stated)

9. SHARE CAPITAL (continued)

b) Issued

Year ended October 31, 2021

On July 7, 2021, the Company issued 500,000 common shares (valued at $35,000) for the Redhill property (Note 7).

Year ended October 31, 2020

On October 21, 2020, the Company issued 300,000 common shares (valued at $22,500) for the Redhill property (Note 7).

c) Stock options

The Company has a stock option plan whereby the Company may grant options to its directors, officers, key employees and consultants for up to 10% of the outstanding common shares of the Company. Options granted may not exceed a term of 10 years from the date of grant. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

There were no stock option transactions during the years ended October 31, 2021 and 2020.

Options outstanding

A summary of options outstanding at October 31, 2021 and 2020 is as follows:

Number of Shares Under Option	Number of Options Exercisable	Exercise Price	Expiry Date
135,000	135,000	$ 0.50	January 16, 2025
60,000	60,000	$ 0.50	December 7, 2025
220,000	220,000	$ 0.50	April 4, 2026
25,000	25,000	$ 0.50	July 10, 2028
440,000	440,000		

At October 31, 2021, the weighted average remaining life of the options is 4.14 years (2020 - 5.14).

(Expressed in Canadian Dollars, unless otherwise stated)

9. SHARE CAPITAL (continued)

c) Stock options (continued)

Share-based compensation

There was no share-based compensation expense for the years ended October 31, 2021 and 2020.

d) Share purchase warrants

The Company had no share purchase warrants outstanding during the years ended October 31, 2021 and 2020.

10. RESERVE

The share-based payment reserve records stock options recognized as share-based payments expense until such time as the stock options are exercised, at which time the corresponding amount is transferred to share capital.

11. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Chief Financial Officer and the Chief Executive Officer.

The Company has paid or accrued fees of $30,500 (2020 - $24,000) to companies controlled by officers for management, administrative, accounting and technical services. These amounts are included in management fees and geological fees, as outlined below:

		2021		2020
Short-term compensation:				
Management fees	$	**24,000**	$	24,000
Geological fees	$	**6,500**	$	-

Management fees consisted of $24,000 (2020 - $24,000) paid to a company controlled by the Chief Financial Officer. Geological fees, which are included in exploration and evaluation assets, consisted of $6,500 (2020 - $nil) paid to a company controlled by the Chief Executive Officer.

12. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and cash equivalents and marketable securities are classified as FVTPL; accounts receivable and reclamation advance, as amortized cost; and accounts payable and accrued liabilities, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

(Expressed in Canadian Dollars, unless otherwise stated)

12. FINANCIAL INSTRUMENTS (continued)

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

October 31, 2021		Level 1		Level 2		Level 3
Cash and cash equivalents	$	361,297	$	-	$	-
Investment in private company	$	-	$	-	$	1

October 31, 2020		Level 1		Level 2		Level 3
Cash and cash equivalents	$	480,423	$	-	$	-
Investment in private company	$	-	$	-	$	1

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is as follows:

		2021		2020
Cash and cash equivalents	**$**	**361,297**	$	480,423

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The Company limits its exposure to credit risk on cash and cash equivalents by only investing in liquid securities offered by chartered banks. Given the credit rating of the bank and the securities owned, management does not expect significant credit losses on cash and cash equivalents.

The Company's accounts receivable consists primarily of Goods and Services Tax at October 31, 2021 and 2020. As at October 31, 2021 and 2020, the Company's accounts receivable were current (less than 90 days). The Company believes that all outstanding balances are collectible, and therefore, there is no allowance for doubtful accounts at October 31, 2021 and 2020.

12. FINANCIAL INSTRUMENTS (continued)

b) 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's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements and the growth and development of its mineral exploration and evaluation assets. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 13. Management has increased its focus on liquidity risk given the impact of the current economic and financial market climate on the availability of equity financing.

The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The financial liabilities at October 31, 2021 are summarized below:

	Carrying Amount	Contractual Cash Flows	Less than One Year	One to Two Years	Two to Five Years	More than Five Years
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	$ 10,000	$ -	$ 10,000	$ -	$ -	$ -
	$ 10,000	**$ -**	**$ 10,000**	**$ -**	**$ -**	**$ -**

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) *Currency risk* – The Company has nominal funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.

ii) *Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

(Expressed in Canadian Dollars, unless otherwise stated)

13. MANAGEMENT OF CAPITAL

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic and financial market conditions. The Company considers its capital structure to include shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Company may issue shares and adjust its spending to manage current and projected cash levels.

As the Company is in the exploration stage, it endeavors to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company facilitates the management of capital through preparation of annual expenditure budgets and cash forecasts that are updated as necessary. There were no changes in the Company's approach to capital management during the year ended October 31, 2021.

The Company is not exposed to externally imposed capital requirements.

14. INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2021		2020
Loss before income tax	**$**	**(84,163)**	$	(69,554)
Expected tax rate		**27.00%**		27.00%
Income tax recovery computed at statutory rates		**(23,000)**		(19,000)
Unrecognized benefit of deferred income taxes		**23,000**		19,000
Total deferred income tax recovery	**$**	**-**	$	-

(Expressed in Canadian Dollars, unless otherwise stated)

14. INCOME TAXES (continued)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at October 31, 2021 and 2020 are presented below:

	2021	2020
Deferred income tax assets (liabilities)		
Exploration and evaluation assets	**$ 400,000**	$ 397,000
Non-capital losses carried forward	**1,028,000**	963,000
Capital losses carried forward	**1,004,000**	1,004,000
Share issuance costs	**2,000**	3,000
	2,434,000	2,367,000
Unrecognized deferred income tax assets	**(2,434,000)**	(2,367,000)
Net deferred income tax assets (liabilities)	**$ -**	**$ -**

As at October 31, 2021, the Company has Canadian non-capital losses of approximately $3,807,000 available for carry-forward to reduce future years' income for income tax purposes. If not used, these losses will expire commencing in 2029.

2029	$ 153,000
2030	574,000
2031	676,000
2032	814,000
2033	534,000
2035	264,000
2036	147,000
2037	125,000
2038	242,000
2039	118,000
2040	73,000
2041	87,000
	$ 3,807,000