KORE MINING LTD.

Consolidated Financial Statements

December 31, 2021

Independent auditor's report

To the Shareholders of KORE Mining Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of KORE Mining Ltd. and its subsidiaries (together, the Company) as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2021 and 2020;
- the consolidated statements of income (loss) and comprehensive income (loss) for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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Material uncertainty related to going concern

We draw attention to note 2 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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 Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Lana Kirk.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 27, 2022

KORE MINING LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars unless otherwise noted)

As at	Note		December 31, 2021		December 31, 2020
Current assets					
Cash and cash equivalents		$	**3,592,702**	$	4,906,361
Amounts receivable			**186,970**		94,069
Prepaid expenses			**125,818**		272,096
Total current assets			**3,905,490**		5,272,526
Non-current assets					
Deposits			**230,985**		110,534
Equipment	6		**323,187**		166,340
Mineral properties	7		**1,755,089**		2,835,444
Total assets		$	**6,214,751**	$	8,384,844
Current liabilities					
Accounts payable		$	**745,695**	$	1,334,352
Lease liability	8		**215,657**		106,147
Total liabilities			**961,352**		1,440,499
Shareholders' equity					
Share capital	9		**18,721,695**		22,220,248
Warrants			**1,353,652**		1,053,620
Reserves			**2,531,798**		1,281,542
Deficit			**(17,225,442)**		(17,520,808)
Accumulated other comprehensive loss			**(128,304)**		(90,257)
Total shareholders' equity			**5,253,399**		6,944,345
Total shareholders' equity and liabilities		$	**6,214,751**	$	8,384,844

Going concern	2
Spin out of Karus Gold	5
Subsequent events	15

Approved by the Board of Directors:

"James Hynes"
Director

"Scott Trebilcock"
Director

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

KORE MINING LTD.
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian dollars unless otherwise noted)

	Note		For the year ended December 31, 2021		For the year ended December 31, 2020
Expenses					
Depreciation	6	$	125,977	$	20,286
Exploration and evaluation expenses	7		3,385,880		5,003,875
General and administration			658,632		408,534
Management fees and wages	5, 10		1,682,307		1,484,173
Marketing, advisory and investor relations			1,180,596		1,244,555
Professional fees			765,235		959,093
Share-based payments	9		1,206,463		538,459
			(9,005,090)		(9,658,975)
Other income (expense)					
Foreign exchange loss			(48,026)		(80,440)
Interest and finance income			19,540		49,604
Interest expense			(26,164)		(5,672)
Flow through income			-		500,000
Gain on distribution of Karus Gold	5		9,355,106		-
Net income (loss) for the year		**$**	**295,366**	**$**	**(9,195,483)**
Item that may be subsequently reclassified to net income (loss)					
Cumulative translation adjustment			(38,047)		(42,957)
Comprehensive income (loss) for the year		**$**	**257,319**	**$**	**(9,238,440)**
Basic and diluted income (loss) per common share		$	0.00	$	(0.09)
Weighted average number of common shares outstanding - basic			110,753,420		97,982,183
Weighted average number of common shares outstanding - diluted			115,620,067		97,982,183

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

KORE MINING LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars unless otherwise noted)

		For the year ended December 31, 2021		For the year ended December 31, 2020
CASH USED IN OPERATING ACTIVITIES				
Income (loss) for the period	**$**	**295,366**	$	(9,195,483)
Items not involving cash:				
Depreciation	**$**	**125,977**	$	20,286
Gain on distribution of Karus Gold	**$**	**(9,355,106)**	$	-
Flow through income	**$**	**-**	$	(500,000)
Interest expense	**$**	**26,164**	$	5,665
Share-based payments	**$**	**1,206,463**	$	538,459
Unrealized foreign exchange	**$**	**-**	$	(5,792)
Changes in non-cash working capital items:				
Amounts receivable	**$**	**(92,901)**	$	114,311
Prepaid expenses and advances	**$**	**146,278**	$	(153,061)
Deposits	**$**	**(18,639)**	$	(71,711)
Accounts payable	**$**	**(588,657)**	$	626,991
	$	**(8,255,055)**	$	(8,620,335)
FINANCING ACTIVITIES				
Payment of lease liabilities	**$**	**(104,895)**	$	(16,128)
Proceeds from equity financing	**$**	**8,028,098**	$	10,500,000
Proceeds from the exercise of options	**$**	**88,583**	$	266,666
Proceeds from the exercise of warrants	**$**	**-**	$	1,739,434
Issuance costs	**$**	**(836,409)**	$	(527,289)
Repayment of Karus Gold loan	**$**	**500,000**	$	-
Loan to Karus Gold	**$**	**(500,000)**	$	-
	$	**7,175,377**	$	11,962,683
INVESTING ACTIVITIES				
Bond for mineral properties	**$**	**(116,812)**	$	-
Equipment additions	**$**	**(112,183)**	$	(65,207)
Exploration & evaluation acquisition costs	**$**	**-**	$	(1,596,926)
	$	**(228,995)**	$	(1,662,133)
Impact of changes in foreign exchange	**$**	**(4,986)**	$	92,523
Change in cash	**$**	**(1,313,659)**	$	1,772,738
Cash at beginning of year	**$**	**4,906,361**	$	3,133,623
Cash at end of year	**$**	**3,592,702**	$	4,906,361
Supplemental cash flow information:				
Acquisition of office lease	**$**	**190,049**	$	120,942
Distribution of assets to Karus Gold	**$**	**10,435,000**	$	-
Issuance of warrants as issuance costs	**$**	**121,547**	$	-
Exercise of restricted share units	**$**	**27,277**	$	-
Cash paid for interest	**$**	**26,164**	$	5,665
Cash paid for income taxes	**$**	**-**	$	-

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

KORE MINING LTD.

Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars unless otherwise noted)

	Number	Amount $	Warrants $	Reserves $	Deficit $	Accumulated other comprehensive loss $	Total Equity $
December 31, 2019	88,841,914	11,085,678	573,516	878,946	(8,325,325)	(47,300)	4,165,515
Shares & warrants issued pursuant to private placement	13,666,666	8,889,984	1,110,016	-	-	-	10,000,000
Issuance costs	-	(459,657)	(67,632)	-	-	-	(527,289)
Exercise of options	1,133,332	370,450	-	(103,784)	-	-	266,666
Exercise of warrants	2,433,000	2,317,177	(562,280)	(15,463)	-	-	1,739,434
Share-based payments	-	16,616	-	521,843	-	-	538,459
Net loss for the year	-	-	-	-	(9,195,483)	-	(9,195,483)
Other comprehensive loss	-	-	-	-	-	(42,957)	(42,957)
December 31, 2020	106,074,912	22,220,248	1,053,620	1,281,542	(17,520,808)	(90,257)	6,944,345
Units issued for cash	8,422,000	7,664,020	364,078	-	-	-	8,028,098
Issuance costs	-	(893,910)	(64,046)	121,547	-	-	(836,409)
Exercise of options	316,668	139,060	-	(50,477)	-	-	88,583
Exercise of restricted share units	15,767	27,277	-	(27,277)	-	-	-
Distribution of Karus Gold Corp.	-	(10,435,000)	-	-	-	-	(10,435,000)
Share-based payments	-	-	-	1,206,463	-	-	1,206,463
Net income for the year	-	-	-	-	295,366	-	295,366
Other comprehensive loss	-	-	-	-	-	(38,047)	(38,047)
December 31, 2021	114,829,347	18,721,695	1,353,652	2,531,798	(17,225,442)	(128,304)	5,253,399

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

1. NATURE OF OPERATIONS

KORE Mining Ltd. (the "Company") is an exploration and development stage company that trades on the TSX Venture Exchange ("TSXV") under the symbol 'KORE'. The Company is focused on the exploration and development of its California gold projects, Imperial and Long Valley. In January 2021, the Company transferred its Canadian exploration projects to Karus Gold Corp ("Karus Gold") in exchange for shares of Karus Gold which were then distributed to shareholders of the Company (Note 5). The Company's registered office is located at Suite 2500, 700 West Georgia Street, Vancouver BC V6C 3E8.

The Company is in the process of exploring and evaluating its mineral resource properties and has not yet determined whether these properties contain economically recoverable mineral reserves. The recoverability of the amounts capitalized to exploration and evaluation assets is ultimately dependent upon the existence of economically recoverable ore reserves and resources, securing and maintaining title and/or beneficial interest in the properties, obtaining necessary financing to continue to explore, evaluate and develop the properties, and upon future profitable production or proceeds from disposition of the exploration and evaluation assets. The amounts shown as exploration and evaluation assets represent costs incurred in acquiring the assets, and do not necessarily represent current or future fair values.

2. GOING CONCERN

These consolidated 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 as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

As at December 31, 2021, the Company had working capital of $2,944,139 (current assets less current liabilities) and has incurred net losses since inception with a deficit of $17,225,442. For the year ended December 31, 2021, the Company used cash flows in operations of $8,255,055. The Company's ability to continue to carry out its planned exploration and development activities for at least the next twelve months is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, this material uncertainty may give rise to significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The summary of accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

These consolidated financial statements have been authorized for issue by the Audit Committee of the Company on April 27, 2022.

3. BASIS OF PRESENTATION (cont'd…)

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries as listed below. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when we have existing rights that give us the ability to direct the activities that significantly affect the investee's returns. The results and financial position of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

These consolidated financial statements incorporate the accounts of the Company and the following subsidiaries:

Name of Subsidiary	Incorporation Jurisdiction	Percentage Ownership	Principal Activity
Imperial USA Corp.	Nevada, USA	100%	Mineral Property Exploration & Development
Imperial Gold Corporation	Nevada, USA	100%	Holding Company
Kore USA Ltd.	Nevada, USA	100%	Mineral Property Exploration & Development
1184938 BC Ltd.	BC, Canada	100%	Holding Company

All intercompany balances and transactions have been eliminated on consolidation.

Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis. The statements are presented in Canadian dollars unless otherwise noted.

Significant Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Estimates and assumptions are regularly 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. Actual results could differ from these estimates.

Critical Judgments

The preparation of these consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as discussed in Note 2.

The Company is also required to make significant judgments on the ongoing feasibility of exploration and evaluation assets, and whether there are indicators that the right to explore the specific area has expired or will be allowed to expire, that further exploration and evaluation plans have changed, or whether development of a specific area is unlikely to recover existing exploration and evaluation costs. If any of these indicators are present, management would need to assess whether the exploration and evaluation property is impaired.

3. BASIS OF PRESENTATION (cont'd…)

Significant Judgments, Estimates and Assumptions (cont'd…)

Significant Estimates
The determination of the Company's tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, management interprets tax legislation in Canada and the US and makes estimates of the expected timing of the reversal of deferred tax assets and liabilities, the deferral and deductibility of certain items and the interpretation of the treatment for tax purposes for exploration and development activities. The Company is subject to assessment by Canadian and US tax authorities, which may interpret legislation differently which may affect the final amount or timing of the payment of taxes. The Company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

The Company was required to make an estimate of the value of the shares of Karus Gold distributed to shareholders of the Company (Note 5). Karus Gold is not publicly listed and had no observable market price to derive a fair value. Management relied on a number of factors, including a third party valuation report, similar projects and recent transactions, comparable land packages and valuation of publicly traded entities, historical exploration work and expenditures made on the project, as well as external market conditions, including current and future commodity price expectations.

The determination of the fair value of stock options or compensatory warrants using the Black-Scholes Option Pricing model requires the input of highly subjective assumptions, including expected future price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation
The presentation currency of the Company and the functional currency of the parent company and its Canadian subsidiaries is the Canadian dollar, while the functional currency of the Company's United States subsidiaries is the United States dollar. The monetary assets and liabilities of any group entity that are denominated in a currency other than its functional currency at the reporting date are translated into the presentation currency at the rate of exchange on the reporting date, while non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at the exchange rates approximating those in effect on the dates of the transactions. Exchange gains and losses arising on translation are included in profit or loss in the statement of comprehensive loss.

When translating the results and financial position of its United States subsidiaries, assets and liabilities are translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the exchange rate at the dates of the transactions, or the average exchange rate if not significantly different. All resulting exchange differences are reported as a separate component of reserves in shareholders' equity entitled "Accumulated Other Comprehensive Income (Loss)".

Cash
Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within three months of purchase.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral Properties

Acquisition Costs

Costs incurred before the Company has acquired the right to explore a property are expensed as incurred. Exploration and evaluation asset acquisition costs, including option payments, are capitalized on an individual area of interest basis. Once a property is brought into production, the capitalized costs are amortized on a units-of-production basis, or until the properties are abandoned, sold or management determines that the asset is no longer economically viable, at which time the unrecoverable deferred costs are expensed to operations. Option payments relating to the acquisition of exploration and evaluation assets that are exercisable at the discretion of the Company are recorded when paid.

Exploration and evaluation asset acquisition costs include cash consideration and the estimated fair market value of common shares or warrants on the date of issue.

Although the Company has taken steps to verify title to exploration and evaluation 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, non-compliance with regulatory requirements or title may be affected by undetected defects.

Exploration and Evaluation Costs

Exploration and evaluation costs are expensed to operations as incurred.

Once the technical feasibility and commercial viability of the extraction of mineral reserves or resources from a particular exploration and evaluation asset has been determined, the capitalized costs are assessed for impairment and then reclassified to mineral property development costs and carried at cost until the properties to which the expenditures relate are sold, abandoned or determined by management to be impaired in value. The establishment of technical feasibility and commercial viability of an exploration and evaluation asset is assessed based on a combination of factors, including:

- The extent to which mineral reserves or mineral resources as defined in National Instrument 43-101 have been identified through a feasibility study or similar document;
- The results of optimization studies and further technical evaluation carried out to mitigate project risks identified in the feasibility study;
- The status of environmental permits; and
- The status of mining leases or permits.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Decommissioning and Restoration

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at December 31, 2021 and 2020 the Company has determined that it does not have any significant decommissioning and restoration obligations related to its operations.

Impairment of Non-Financial Assets

Management reviews the carrying values of capitalized exploration and evaluation assets at the end of each reporting period for indications of impairment. Exploration and evaluation assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future pre-tax cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs to sell is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis between knowledgeable, willing parties, less costs of disposal.

Fair value less costs to sell is primarily derived using discounted cash flow techniques, which incorporates market participant assumptions and is based on post-tax cash flows that are discounted using a post-tax discount rate.

An impairment loss is recognized if the carrying value amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provisions

Liabilities are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax liabilities on temporary differences associated with shares in subsidiaries are not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

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 likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, and for the carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax

Assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of tax recovery or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based Payments
The Company uses a fair value based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain consultants. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss with the offsetting credit to share option reserve. The fair value of the share options is recognized over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. If options vest immediately, the expense is recognized when the options are granted. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated expense recorded to date is reversed in the period of forfeiture. The carrying value of any share options that expire remain in share option reserve.

Share Capital
When the Company issues private placement units, the shares and warrants are measured using the residual method, where no objective fair value of each component is available. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be the more easily measurable component and they are valued with reference to the market price. The residual value attributed to the warrants, if any, is recorded as a separate component of equity.

Earnings (Loss) Per Share
Basic earnings (loss) per share are computed by dividing net earnings (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive, therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

Financial Instruments - Recognition and Measurement
The Company classifies its financial assets and liabilities in the following measurement categories - i) those to be subsequently measured at amortized cost; or ii) those to be subsequently measured at fair value (either through other comprehensive income, or through profit or loss ("FVTPL")).

The classification is driven by the business model for managing the financial assets and their contractual cash flow characteristics. The Company classifies its financial assets and financial liabilities as those to be subsequently measured at amortized cost. At initial recognition financial assets and liabilities are measured at fair value less transaction costs except for financial assets classified as FVTPL, where transaction costs are expensed directly to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

The Company will from time to time, issue flow-through common shares to finance certain portions of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Where the flow-through common share is issued as part of a unit, the value is first allocated between the unit and the flow-through premium, and then bifurcated between the common share and the warrant on a residual value basis. As qualified expenses are incurred the Company relieves the liability and recognizes the premium in profit or loss as other income. The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Equipment

Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price plus any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates: Vehicles 5 years straight line basis, Machinery and equipment 2-5 years straight line basis, and office leases 3 years straight line basis, being the term of the lease. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Leases

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate, which is estimated at 15%. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

(Expressed in Canadian dollars unless otherwise noted)

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Leases (cont'd…)
The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as property and equipment on the statement of financial position as it presents underlying assets of the same nature owned by the Company.

5. SPINOUT OF KARUS GOLD

In January 2021, the Company transferred its Canadian exploration properties, together with related assets, to Karus Gold in exchange for 53,112,455 shares of Karus Gold ("Spinout Shares"), which were immediately distributed to the shareholders of the Company pursuant to a statutory plan of arrangement (the "Spinout"). The Spinout Shares were distributed to shareholders of the Company as a return of capital on the basis of one Karus Gold share for every two KORE shares held.

In accordance with IFRIC 17, Distribution of Non-cash Assets to Owners, the Company recognized the distribution of the Karus shares to KORE shareholders at fair value with the difference between that value and the carrying amount of the net assets recorded in the statement of income. The fair value of the Karus shares was estimated to be $10,435,000 which was recorded as a reduction of share capital.

The assets transferred to Karus Gold and net gain on distribution of Spinout Shares consisted of the following:

Assets transferred:		
Exploration & evaluation assets	$	1,052,969
Equipment		11,925
Deposits		15,000
		1,079,894
Fair value of Karus Gold shares distributed		10,435,000
Gain on distribution of Karus Gold	$	9,355,106

In connection with the Spinout, the Company loaned Karus Gold $500,000 bearing simple interest of 8% per annum, which was repaid with accrued interest of $5,700 during the year ended December 31, 2021. Karus Gold also issued the Company a 1% NSR on all projects transferred, not otherwise subject to an NSR. In addition, Karus Gold reimbursed the Company for $407,242 of transaction costs which have been recorded as a reduction to general and administration, management fees and professional fees in profit and loss for the year ended December 31, 2021.

(Expressed in Canadian dollars unless otherwise noted)

6. EQUIPMENT

Cost:	Equipment	Vehicles	Right of Use - Office Lease	Total
Balance December 31, 2020	**$ 4,500**	**$ 60,752**	**$ 121,374**	**$ 186,626**
Additions	68,234	43,949	190,049	302,232
Disposition to Karus Gold	(4,500)	(9,500)	-	(14,000)
Foreign exchange	1,162	(2,297)	(6,511)	(7,646)
Balance December 31, 2021	**$ 69,396**	**$ 92,904**	**$ 304,912**	**$ 467,212**

Accumulated depreciation:	Equipment	Vehicles	Right of Use - Office Lease	Total
Balance December 31, 2020	**$ 1,125**	**$ 6,011**	**$ 13,150**	**$ 20,286**
Additions	24,173	14,131	87,674	125,978
Disposition to Karus Gold	(1,125)	(950)	-	(2,075)
Foreign exchange	110	(80)	(194)	(164)
Balance December 31, 2021	**$ 24,283**	**$ 19,112**	**$ 100,630**	**$ 144,025**
Net book value				
Balance December 31, 2021	**$ 45,113**	**$ 73,792**	**$ 204,282**	**$ 323,187**

7. MINERAL PROPERTIES

The ending balance and summary of the changes to mineral properties (where applicable) for the year ended December 31, 2021 is as follows:

	Long Valley USA	Imperial USA	FG Gold Canada	Gold Creek Canada	Total
Balance, December 31, 2019	$ 504,271	$ -	$ 370,607	$ 498,136	$ 1,373,014
Additions	-	1,412,700	184,226	-	1,596,926
Foreign exchange adjustment	(5,931)	(128,565)	-	-	(134,496)
Balance, December 31, 2020	$ 498,340	$ 1,284,135	$ 554,833	$ 498,136	$ 2,835,444
Transfer to Karus Gold	-	-	(554,833)	(498,136)	(1,052,969)
Foreign exchange adjustment	(7,301)	(20,085)	-	-	(27,386)
Balance, December 31, 2021	**$ 491,039**	**$ 1,264,050**	**$ -**	**$ -**	**$ 1,755,089**

Imperial Project

In March 2017, the Company purchased Imperial USA Corp. which owns the Imperial project located in California. In settlement of the purchase price, the Company paid US$150,000. The Company issued a 1% net smelter return royalty ("NSR") on the property in connection with this acquisition. The remaining payments under the agreement comprise US$1,000,000 payable upon the announcement of a revised Preliminary Economic Assessment ("PEA") or similar report and US$1,000,000 payable 30 days after the date that gold is poured from ore mined from the related properties. In April 2020, the Company announced the PEA results which triggered the obligation of US$1,000,000 ($1,412,700), which was paid in July 2020. The vendor has the option to receive shares in the Company in settlement of the remaining payment of US$1,000,000 up to achieving a maximum 4.9% ownership interest in the Company, above which level further share consideration is at the option of the Company.

In addition, under the agreement, the Company has committed to incur US$5 million in exploration and development expenditures, as defined, on the Imperial Project on or before March 2022, the fifth anniversary of the date of the Imperial Purchase Agreement, of which US$5 million has been incurred and was acknowledged as fulfilled by the vendor in November 2021. In the event that the Company did not incur these expenditures within the given timeframe, the Company would have been required to pay US$1,000,000 to the vendor.

(Expressed in Canadian dollars unless otherwise noted)

7. MINERAL PROPERTIES (cont'd…)

Imperial Project (cont'd…)

In May 2019, the Company received an investment by Macquarie Bank Ltd and its affiliates (collectively, "Macquarie") of $4,000,000. As part of the investment by Macquarie, Macquarie subscribed for 6,000,000 common shares and acquired a 1% NSR royalty (the "Macquarie Royalty") on the Imperial Project for a total cost of $4,000,000. The agreement provides for certain rights for Macquarie to provide project development financing, rights of refusal and offer on additional royalty issuances and sales, and prescribes the proceeds to be used primarily to advance permitting of the Imperial Project.

Long Valley Project

In March 2017, the Company purchased certain mining claims in the Long Valley area of California with an upfront payment of US$350,000 to the vendor. The remaining payments under the agreement comprise US$500,000 due 30 days after commencement of commercial production and US$500,000 payable on the 12 month anniversary of the commencement of commercial production. A US$25,000 deposit was paid to the vendor prior to execution of the purchase agreement, which will be applied to the final payment, unless forfeited in the event the agreement is terminated. The vendor has the option to receive shares in the Company in settlement of the remaining payments.

The vendor retained a net smelter return royalty on the claims ("the Seller NSR"). The Seller NSR provides for a royalty of 0.5% when the price of gold is under US$1,400/oz, 1.0% when the price of gold is between US$1,401 to US$1,600/oz and 2.0% when the price of gold is above US$1,600/oz. The Company has the option to purchase back 1% of the royalty when the price of gold is above US$1,600/oz for US$2 million if purchased prior to the announcement of a feasibility study or for US$4 million if repurchased prior to commencement of commercial production. In addition, there is a further 1% NSR payable to another third party.

Canadian assets transferred to Karus

In January 2021, the Company transferred its Canadian exploration properties, including FG Gold, Gold Creek and White Gold, to Karus Gold, pursuant to the spinout of Karus Gold (Note 5). In connection with this disposition, the Company recorded a decrease in capitalized exploration and evaluation assets of $1,052,969.

Details of the exploration and evaluation expenses incurred are as follows:

		For the year ended December 31, 2021		For the year ended December 31, 2020
Claim, staking, holding and taxes	**$**	909,156	**$**	521,517
Drill program		-		1,539,982
Engineering and development		378,567		668,164
Geophysics and ground prospecting		203,607		394,006
Permitting and environment		445,246		351,601
Project administration and support		92,395		-
Contractors, professional fees and wages		1,090,786		1,090,551
Technical reports and studies		377,311		-
Travel, logistics & camp costs		90,097		446,032
Other recovery		(189,346)		(7,978)
Recovery of costs in connection with Spinout		(11,939)		-
	$	3,385,880	**$**	5,003,875

(Expressed in Canadian dollars unless otherwise noted)

8. LEASE LIABILITY

Balance, December 31, 2020	**$**	**106,147**
New lease liability		190,049
Lease payments		(104,895)
Interest expense		26,164
Foreign exchange		(1,808)
Balance, December 31, 2021	**$**	**215,657**

Effective September 2020, the Company entered into an office lease in Imperial County, California with a monthly payment of US$3,150 for a period of three years.

Effective July 2021, the Company entered into an office lease in Vancouver, British Columbia with a monthly payment of $9,559 for a period of 23 months.

The Company capitalized the leases in accordance with its accounting policy and recognized a corresponding right of use asset in capitalized assets.

9. SHARE CAPITAL

Authorized
Unlimited number of common shares with no par value.

During the year ended December 31, 2021, the Company:

- Distributed the Spinout Shares of Karus Gold to the shareholders of the Company with a value of $10,435,000 (Note 5).
- Issued 316,668 common shares for gross proceeds of $88,583 pursuant to the exercise of option exercises; the Company reallocated $50,477 of share based compensation reserve to share capital in connection with the exercise of these options.
- Issued 15,767 common shares pursuant to the exercise of restricted share units.
- Issued 8,422,000 units at a price of $0.95 per unit for gross proceeds of $8,000,900, pursuant to a bought deal public offering, where each unit consisted of one common share and one half of a common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share of the Company at a price of $1.35 per share until June 18, 2023. The Company also issued 339,975 Warrants at a price of $0.08 for gross proceeds of $27,198 pursuant to an over-allotment option granted to the Underwriters. The net proceeds were allocated to shares and warrants on the basis of $0.91 per share and $0.08 per whole Warrant based on the terms of the over-allotment option. Pursuant to the terms of an agreement with the underwriters, ("Underwriters"), the Company paid a cash commission of $446,946 and issued 468,751 brokers warrants with an exercise price of $0.95 and a term of two years. The broker warrants were valued at $121,547 based on the following Black Scholes assumptions: 0% dividend yield,75% expected volatility, 0.76% expected interest and a 2 year expected life. The Company also incurred cash share issuance costs of $389,463 in connection with this offering.

9. SHARE CAPITAL (cont'd…)

Authorized (cont'd…)
During the year ended December 31, 2020, the Company:

- Issued 6,666,666 common shares at a price of $0.45 per common share for gross proceeds of $3,000,000 pursuant to a private placement. The Company incurred cash share issuance costs of $100,787 in connection with this financing.
- Issued a total of 1,133,332 shares for proceeds of $266,666 pursuant to the exercise of options; the Company reallocated $103,784 of share based compensation reserve to share capital in connection with the exercise of these options.
- Issued 2,433,000 shares for cash proceeds of $1,739,434 pursuant to the exercise of warrants; the Company reallocated $562,280 of warrant reserve and $32,079 of share based compensation reserve to share capital in connection with the exercise of these warrants.
- Issued 6,000,000 units at a price of $1.00 per unit ("Unit") pursuant to a private placement. Each unit consists of one share and one half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of $1.50 for a period of 24 months. The Company allocated $951,442 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.31%, volatility of 75%, expected life of 2 years and a dividend yield of 0%. The Company incurred cash issuance costs of $426,502 which was allocated on the same pro-rata allocation as the proceeds with $358,870 allocated to shares and $67,632 to warrants.
- Issued 1,000,000 flow through units at a price of $1.50 per flow through unit ("FT Unit") pursuant to a private placement. Each FT Unit consists of one flow through share and one-half share purchase warrant, where each whole warrant entitles the holder to acquire an additional share of the Company at a price of $1.50 for a period of 24 months. The Company allocated $500,000 as the flow through premium and recorded this as its flow through liability. The Company then allocated $158,574 to the warrants using the relative fair value method, where the fair value of the warrants was determined using Black Scholes with the following assumptions: interest rate of 0.4%, volatility of 75%, expected life of 3 years and a dividend yield of 0%.

(Expressed in Canadian dollars unless otherwise noted)

9. SHARE CAPITAL (cont'd…)

Stock Options

Pursuant to a rolling stock option plan (the "Plan") for directors, officers, employees and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares, with the exercise price to be determined on the date of issuance of the options. The term of options granted under the plan may not exceed five years and such options vest at terms to be determined by the board of directors at the time of the grant, but the exercise price shall not be less than the price determined by the policies of the stock exchange on which the Company's common shares are then listed.

A summary of stock option activity for the year ended December 31, 2021 is as follows:

Balance, December 31, 2019	7,800,000	$	0.27
Granted	1,700,000		0.86
Expired	(66,666)		1.50
Exercised	(1,133,332)		0.24
Balance, December 31, 2020	8,300,002		0.38
Granted	2,575,000		0.64
Expired	(33,334)		1.50
Exercised	(316,668)		0.28
Forfeited	(250,000)		0.62
Balance, December 31, 2021	**10,275,000**	**$**	**0.44**

As at December 31, 2021, the following stock options were outstanding:

Expiry date	Number of options outstanding	Number of options exercisable	Exercise price $
November 1, 2023	1,250,000	1,250,000	0.50
January 13, 2024	2,000,000	2,000,000	0.14
May 9, 2024	150,000	150,000	0.25
July 3, 2024	2,600,000	2,600,000	0.27
July 29, 2024	375,000	-	0.62
October 18, 2024	500,000	500,000	0.29
April 27, 2025	850,000	583,333	0.44
September 3, 2025	400,000	266,666	1.50
December 1, 2025	200,000	200,000	1.34
February 17, 2026	250,000	83,333	1.00
July 29, 2026	1,450,000	-	0.62
November 16, 2026	250,000	-	0.48
	10,275,000	**7,633,332**	

(Expressed in Canadian dollars unless otherwise noted)

9. SHARE CAPITAL (cont'd…)

Warrants

A summary of warrant activity for the year ended December 31, 2021:

Balance, December 31, 2019	2,629,500	$	0.75
Issued	3,500,000		1.50
Exercised	(2,433,000)		0.72
Expired	(196,500)		1.06
Balance, December 31, 2020	3,500,000		1.50
Issued	5,019,726		1.31
Balance, December 31, 2021	**8,519,726**	**$**	**1.39**

As at December 31, 2021, the following warrants were outstanding:

Expiry date	Number of warrants outstanding	Exercise price $
July 22, 2022	3,000,000	1.50
July 28, 2022	500,000	1.50
June 18, 2023	4,550,975	1.35
June 18, 2023	468,751	0.95
	8,519,726	

Restricted Share Units

In October 2020, the Company's shareholders approved the Omnibus Plan ("Omnibus Plan"), which is a fixed plan that reserves for issuance a maximum of 10,605,828 common shares as equity-based compensation awards. Together with the 10% rolling stock option plan, only a maximum of 10% of instruments under the Omnibus Plan and Option Plan may be granted to insiders. Awards under the plan may be granted in a form as designated by the Board, including restricted share units, deferred share units and other performance based instruments.

A summary of restricted share unit activity for the year ended December 31, 2021:

	Number of RSUs
Balance, December 31, 2019	**-**
Granted	248,000
Balance, December 31, 2020	248,000
Exercised	(15,767)
Balance, December 31, 2021	**232,233**

(Expressed in Canadian dollars unless otherwise noted)

9. SHARE CAPITAL (cont'd…)

Restricted Share Units (cont'd…)
As at December 31, 2021, the following restricted share units were outstanding:

Expiry date	Number of RSUs outstanding	Number of RSUs exercisable
December 30, 2023	232,233	192,233
	232,233	**192,233**

Share-Based Compensation
During the year ended December 31, 2021, the Company granted 2,575,000 options to employees, consultants and management (2020 - 1,700,000) with a Black-Scholes valuation of $958,784 (2020 - $734,659) or $0.37 (2020 - $0.45) per stock option. The Company recognized $817,657 (2020 - $538,459) as share-based payments expense in relation to the vesting of options for the year ended December 31, 2021.

Share-based payments expense was determined using the following weighted average assumptions:

	December 31, 2021	December 31, 2020
Risk free interest rate	0.89%	0.41%
Expected life	4.5	4.1
Annualized volatility	75%	75%
Dividend rate	0%	0%

During the year ended December 31, 2021, the Company did not grant any RSUs, however recorded an expense of $388,806 (2020 - $45,375) in connection with the vesting of RSUs granted prior to December 31, 2020, which is included in share-based payments.

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions
As at December 31, 2021, there was $141,312 included in receivables as due from Karus Gold for reimbursement of general and administrative costs for the period from January 26, 2021 to December 31, 2021.

Amounts owing to related parties are unsecured, non-interest bearing and due on demand. As at December 31, 2021, $110,860 (2020 - $3,285) is due and $nil (2020 - $312,500) has been accrued as payable to related parties.

Key Management Compensation
Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the Chairman, President & Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Directors. For the year ended December 31, 2021, total key management compensation was $1,873,722 (2020 - $1,434,011), which includes management fees and salaries of $1,132,055 (2020 - $1,096,797), and share-based compensation of $741,667 (2020 - $337,214).

11. MANAGEMENT OF CAPITAL

The Company considers items within equity as capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations; to perform mineral exploration activities on the Company's exploration projects; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that is intended to provide sufficient funding for operational and capital expenditure activities. When necessary, the Company may seek to secure funds, through debt funding or equity capital raised. There can be no assurances that the Company will be able to obtain debt or equity capital in the future. (See Note 2).

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements. There have not been any changes to the Company's capital management policy during the period.

12. RISK MANAGEMENT

Financial Risk Management
The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Credit Risk
Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents.

The Company has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal. The majority of the Company's cash is held with reputable financial institutions in Canada.

b. Liquidity Risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2021, the Company had working capital of $2,944,139 and it does not have any long term monetary liabilities. The Company will seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. The Company's approach to managing liquidity risk is to endeavor to ensure that it will have sufficient liquidity to meet liabilities when they fall due. As at December 31, 2021, the Company had cash of $3,592,702 to settle current liabilities of $961,351. The Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. See Note 2.

c. Interest Rate Risk
Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds its cash and cash equivalents on which it earns variable rates of interest, and may therefore be subject to a certain amount of risk, though this risk is immaterial.

12. RISK MANAGEMENT (cont'd…)

Financial Risk Management (cont'd…)

d. Foreign Currency Risk

Foreign currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains its cash reserves in Canadian and United States dollars. The portion of the Company's funds held in US dollars are subject to fluctuations in foreign exchange rates.

At December 31, 2021, the Company has certain monetary items denominated in United States dollars. Based on these net exposures, a 10% appreciation or depreciation of the Canadian dollar against the United States dollar would result in an increase or decrease of $46,257 in the Company's net loss.

Fair Values

The carrying values of cash, deposits and other receivables and trade and other accounts payable approximate fair values due to their short-term to maturity nature.

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and development of exploration and evaluation properties in the United States. The following table shows the geographic breakdown of the Company's non-current assets:

	December 31, 2021					
	Canada		USA		Total	
Mineral properties	$	-	$	1,755,089	$	1,755,089
Equipment		138,374	$	184,813		323,187
Total	**$**	**138,374**	**$**	**1,939,902**	**$**	**2,078,276**

	December 31, 2020					
	Canada		USA		Total	
Mineral properties	$	1,052,969	$	1,782,475	$	2,835,444
Equipment		11,925		154,415		166,340
Total	**$**	**1,064,894**	**$**	**1,936,890**	**$**	**3,001,784**

(Expressed in Canadian dollars unless otherwise noted)

14. INCOME TAXES

The income tax provision differs from the amount computed by applying the statutory rates to loss before income taxes. These differences result from the following:

		2021		2020
Income (loss) for the year	$	295,366	$	(9,195,484)
Expected income tax (recovery)	$	80,000	$	(2,483,000)
Change in statutory, foreign tax, foreign exchange rates and other		620,000		(183,000)
Permanent differences		(783,000)		282,000
Share issue cost		(183,000)		(149,000)
Change in unrecognized deductible temporary		266,000		2,533,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2021	Expiry Date Range		2020	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$	2,376,000	No expiry date	$	2,741,000	No expiry date
Property and equipment		(150,000)	No expiry date		38,000	No expiry date
Share issue costs		1,009,000	2040 to 2044		724,000	2039 to 2043
Non-capital losses available for future periods		13,846,000	2024 to 2040		13,178,000	2024 to 2039
Canada		6,927,000	2024 to 2040		9,527,000	2024 to 2039
USA		6,919,000	2020 to 2034		3,651,000	2020 to 2033

The ability to use U.S. loss carry-forwards in future is subject to certain limitations under provisions of the internal Revenue Code, including Section 382, which relates to a 50% change in control of ultimate shareholders over a three-year period, and is further dependent upon the Company attaining profitable operations. Ownership changes, as defined, may have occurred in prior years for Imperial USA Corp. and the U.S. tax losses related to Imperial USA Corp. may be subject to limitation under Section 382. Accordingly, the Company's ability to use these losses may be limited or such losses may expire un-utilized. Losses incurred to date may be further limited if a subsequent change in control occurs.

15. SUBSEQUENT EVENTS

Subsequent to December 31, 2021, the Company:

- Issued 500,000 common shares pursuant to the exercise of stock options for proceeds of $70,000.
- Granted 859,460 RSUs and 600,000 stock options with an exercise price of $0.37 and a five year term.