Consolidated Financial Statements

SILVER SPRUCE RESOURCES INC.

For the years ended October 31, 2021 and 2020

(Expressed in Canadian dollars)

SILVER SPRUCE RESOURCES INC.
Table of Contents

Grant Thornton

Independent auditor's report

Grant Thornton LLP
Suite 1000, Nova Centre, North Tower
1675 Grafton Street
Halifax, NS
B3J 0E9

T +1 902 421 1734
F +1 902 420 1068

To the Shareholders of Silver Spruce Resources Inc.

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, 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 in the consolidated financial statements, which indicates that the Company has several adverse conditions that cast significant doubt on the validity of the going concern assumption. As stated in Note 2, these conditions, along with other matters set forth in Note 2, 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.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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 International Financial Reporting Standards (IFRSs), 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 Group 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 Rodney D. Belliveau.

Grant Thornton LLP

Halifax, Canada
February 10, 2022

Chartered Professional Accountants

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Financial Position
As at October 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Assets		
Current		
Cash	**1,178,421**	1,273,190
HST and other receivables (Note 6)	**202,226**	61,790
Prepaid expenses	**51,751**	86,759
Total current assets	**1,432,398**	1,421,739
Non-current		
Right-of-use assets (Note 8)	**40,328**	-
Total assets	**1,472,726**	1,421,739
Liabilities		
Current		
Trade payable and accrued liabilities (Note 14)	**239,628**	50,906
Property acquisition obligation (Note 7(a))	**30,960**	33,295
Current portion of lease liability (Note 8)	**19,261**	-
Total current liabilities	**289,849**	84,201
Non-current		
Canada Emergency Business Loan (Note 9)	**-**	27,552
Lease liability (Note 8)	**21,980**	-
Total liabilities	**311,829**	111,753
Shareholders' Equity		
Share capital (Note 11)	**33,270,859**	31,781,728
Warrant reserve (Note 12)	**1,825,816**	1,283,497
Equity reserve	**9,001,260**	8,794,942
Accumulated deficit	**(42,937,038)**	(40,550,181)
Total shareholders' equity	**1,160,897**	1,309,986
Total liabilities and shareholders' equity	**1,472,726**	1,421,739

Basis of preparation and going concern (Note 2)
Commitments and contingencies (Notes 7 and 16)
Subsequent events (Notes 7(b), 7(d) and 17)

APPROVED BY THE BOARD OF DIRECTORS

Original signed by Kevin O'Connor, Director

Original signed by Mike Kinley, CEO, Director

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Operations and Comprehensive Loss
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Expenses		
Exploration and evaluation expenditures (Note 7 and 14)	**1,548,931**	247,958
Stock based compensation (Note 13)	**141,421**	142,883
Office and general	**48,421**	68,219
Accounting and audit	**37,491**	50,963
Legal	**25,859**	27,015
Consulting fees (Note 14)	**288,230**	198,124
Corporate relations	**133,439**	200,717
Interest on lease liability (Note 8)	**2,314**	-
Listing and filing fees	**66,874**	92,529
Depreciation - Right-of use asset (Note 8)	**17,745**	-
Total expenses	**2,310,725**	1,028,408
Other items		
Gain on settlement of debts	**-**	(234,113)
Government grant (Note 9)	**-**	(12,448)
Fair value adjustment (Note 9)	**2,448**	-
Bad Debt	**67,119**	-
Foreign exchange loss	**6,565**	591
Total other items	**76,132**	(245,970)
Net loss and comprehensive loss for the year	**(2,386,857)**	(782,438)
Net loss per share - basic and diluted	**(0.01)**	(0.01)
Weighted average number of shares outstanding - basic and diluted	**163,114,146**	108,747,919

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Change in Shareholders' Equity (Deficiency)
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

	Number of shares	Share capital $	Warrant reserve $	Equity reserve $	Accumulated deficit $	Total equity (deficiency) $
Balance October 31, 2019	**91,155,833**	**30,228,208**	**444,945**	**8,696,106**	**(39,767,743)**	**(398,484)**
Net loss for the year	-	-	-	-	(782,438)	(782,438)
Private placement common shares issued (Note 11)	41,880,000	2,102,580	-	-	-	2,102,580
Share issuance costs (Note 11 & 12)	-	(92,528)	(75,027)	-	-	(167,555)
Value of warrants issued under private placement (Note 12)	-	(938,532)	938,532	-	-	-
Shares issued on settlement of debt	8,700,000	278,000	-	-	-	278,000
Shares issued for property acquisition (Note 7(b))	500,000	20,000	-	-	-	20,000
Stock based compensation (Note 13)	-	-	-	142,883	-	142,883
Warrants exercised (Note 11 &12))	2,300,000	184,000	(24,953)	(44,047)	-	115,000
Balance October 31, 2020	**144,535,833**	**31,781,728**	**1,283,497**	**8,794,942**	**(40,550,181)**	**1,309,986**
Net loss for the year	-	-	-	-	(2,386,857)	(2,386,857)
Private placement common shares issued (Note 11)	37,869,334	2,031,000	-	-	-	2,031,000
Share issuance costs (Note 11 & 12)	-	(104,783)	(64,921)	-	-	(169,704)
Value of warrants issued under private placement (Note 12)	-	(749,279)	749,279	-	-	-
Shares issued for property acquisition (Notes 7(b) and (d))	2,500,000	125,000	-	-	-	125,000
Shares issued as finders fees (Note 7(f))	70,000	2,800	-	-	-	2,800
Stock based compentation (Note 13)	-	-	-	141,421	-	141,421
Warrants exercised (Note 11 & 12)	2,011,000	171,060	(21,828)	(48,651)	-	100,581
Stock options exercised (Note 11)	133,333	13,333	-	(6,663)	-	6,670
Warrants expired (Note 12)	-	-	(120,211)	120,211	-	-
Balance October 31, 2021	**187,119,500**	**33,270,859**	**1,825,816**	**9,001,260**	**(42,937,038)**	**1,160,897**

See accompanying notes to the consolidated financial statements

SILVER SPRUCE RESOURCES INC.
Consolidated Statements of Cash Flows
Years ended October 31, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Operating activities		
Net loss for the year	**(2,386,857)**	(782,438)
Items not involving cash:		
Loss on foreign exchange	**(2,335)**	440
Gain on settlement of debts	**-**	(234,113)
Depreciation - Right-of-use asset (Note 8)	**17,745**	-
Fair value adjustment (Note 9)	**2,448**	-
Government grant (Note 9)	**-**	(12,448)
Shares issued for settlement of property purchase obligation (Note 7(b)&(d))	**125,000**	20,000
Shares issued as finders fees (note 7(f))	**2,800**	-
Stock based compensation (Note 13)	**141,421**	142,883
Changes in non-cash working capital		
Decrease (increase) in prepaid expenses	**35,008**	(2,759)
Increase in HST and other receivables	**(140,436)**	(30,602)
Increase (decrease) in trade payables and accrued liabilities	**188,722**	(74,017)
Net cash flows used in operating activities	**(2,016,484)**	**(973,054)**
Financing activities		
Proceeds from issuance of shares (Note 11)	**2,031,000**	2,102,580
Share issue costs	**(169,704)**	(167,555)
Proceeds from exercise of warrants (Note 11)	**100,581**	115,000
Proceeds from exercise of stock options (Note 11)	**6,670**	-
(Repayment of) proceeds from loan payable (Note 9)	**(30,000)**	40,000
Interest on lease liability (Note 8)	**2,314**	-
Repayment of lease liability (Note 8)	**(19,146)**	-
Net cash flows from financing activities	**1,921,715**	2,090,025
(Decrease) increase in cash	**(94,769)**	1,116,971
Cash, beginning of year	**1,273,190**	156,219
Cash, end of year	**1,178,421**	1,273,190

Supplemental cash flow information (Note 15)

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Silver Spruce Resources Inc. (the "Company") is a public company domiciled in Canada and was incorporated in Alberta on May 8, 1996 under the name First Labrador Acquisitions Inc. The Company changed its name to Silver Spruce Resources Inc. on October 22, 2004. The Company's operations consist of the exploration for precious and base minerals. The registered office of the Company is Suite 440, 1600 Bedford Highway, Bedford, Nova Scotia, B4A 1E8. The Company's common shares are listed for trading on the TSX Venture Exchange under the symbol "SSE", the OTCQB under the symbol "SSEBF and the Frankfurt Stock Exchange under the symbol "S6Q".

2. BASIS OF PREPARATION AND GOING CONCERN

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee. The consolidated financial statements of the Corporation were approved by the Board of Directors on February 10, 2022.

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with IFRS on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company is an exploration stage company and does not have any proven economically recoverable reserves on the Company's interest in mineral properties held for exploration and to date, the Company has not earned revenues from mining activities and does not have a firm timeline until such revenues can be reasonably expected to be realized. The Company's interests in exploration properties are subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company's continued existence is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, or future profitable production. It is not possible to predict whether financing efforts will be successful.

Although the Company has taken steps to verify title to mineral exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers, First Nations claims, non-compliance with regulatory, social and environmental requirements and may be affected by undetected defects.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health development, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. So far, the pandemic's effect on the Company has been minimal. The Company has raised over $3,800,000 with three private placements since the onset of COVID-19 and increased our exploration activities. However, the economic downturn could have a negative effect on the Company's ability to raise funds in the future, which could adversely affect future exploration.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Basis of presentation (continued)

While the consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions, however, cast significant doubt on the validity of this assumption. The Company has incurred a net loss of $2,386,857 during the year ended October 31, 2021, has an accumulated deficit of $42,937,038 and has no source of revenue. The Company was successful in raising funds during the year, which resulted in a working capital surplus of $1,142,549 as at October 31, 2021. Although the Company has been successful in raising funds in the past and during the year, there is no assurance that it will be able to successfully complete further financings. These conditions indicate the existence of material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, First Labrador Resources Ltd., Silver Spruce Resources (Nova Scotia) Inc. and Silver Spruce Resources Mexico S.A. de C.V. Both First Labrador Resources Ltd. and Silver Spruce Resources (Nova Scotia) Inc. are inactive and have no assets or liabilities. All inter-company transactions have been eliminated upon consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity until properties are determined to contain economically viable reserves.

Exploration and evaluation costs

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity, as noted below, net of government assistance received. Exploration and evaluation expenditures are expensed as incurred.

Exploration and evaluation expenses are comprised of costs that are directly attributable to:
- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- evaluating the technical feasibility and commercial viability of extracting a mineral resource.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

The Company's non-financial assets are reviewed for an indication of impairment at each statement of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the (1) asset's fair value less costs to sell and (2) value in use. In assessing value in use, the estimated future 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss is reversed if there is an indication that 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. An impairment loss with respect to goodwill is never reversed.

Share-based payments

The Company uses the fair value method to measure compensation expense at the date of grant of stock options to employees and each tranche is recognized on a graded vesting basis over the period in which the options vest. The fair value of options is determined using the Black-Scholes pricing model and is charged to earnings over the vesting period with an offset to equity reserve, on a straight-line basis over the vesting period. When options are exercised, the corresponding share-based payment reserves and the proceeds received by the Company are credited to share capital. Forfeitures are estimated at the time of the grant. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity reserve.

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

The value associated with share-based payments is transferred, upon expiry, to equity reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense comprises current and deferred income tax. Current tax and deferred tax are recognized in earnings or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax expenses comprise the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on either the same taxable entity, or on different taxable entities, which intend to settle current tax liabilities and assets on a net basis or realize their tax assets and liabilities simultaneously. A deferred tax asset is recognized for unused tax losses, unused tax credits and temporary differences that can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefit will be realized.

Loss per share

The Company presents basic and diluted loss per share (LPS) data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Equity and reserves

Share capital represents the nominal (par) value of shares that have been issued. The Company applies the fair value method with respect to the measurement of shares and warrants issued as private placement units. The Company allocates the net proceeds based on the relative fair values to each component, including issue costs. The fair value of the warrants is determined using the Black-Scholes pricing model.

Broker warrants are valued using the Black-Scholes pricing model and recorded as share issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity and reserves (Continued)

Costs directly attributable to the raising of capital are charged against the related share capital and a portion is proportionately allocated to warrants if costs are related to the issuance of units. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Other components of equity include an equity reserve which includes the value initially recognized for expired warrants and share options.

Flow-through shares

Issuance of flow-through shares represents in substance an issue of common shares and the sale of the right to tax deductions of qualifying resource expenditures to the investors. When the flow-through shares are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between shares, warrants and flow-through share premium equal to the estimated premium which is recognized as a liability. This is referred to as the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to their fair value at the date of issuance and the residual proceeds are allocated to other liabilities.

The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized as other income in profit or loss in reduction of deferred income tax expense. A deferred tax liability is also recognized for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset and its tax basis.

Decommissioning and restoration provision

The Company recognizes the fair value of the liability for asset decommissioning and restoration in the period in which it is incurred and records a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows associated with legal obligations or constructive obligations relating to the reclamation and closure of its mineral exploration properties at a pre-tax rate that reflects the time value of money. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows to settle the obligation. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the consolidated statement of operations and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning and restoration provision (Continued)

The liability is also adjusted due to revisions in either the timing or the amount of the original estimated cash flows associated with the liability. The increase in the carrying value of the asset is amortized on the same basis as mineral properties. In management's estimation, there is no material restoration, rehabilitation, and environmental obligation as at October 31, 2021 and 2020.

Financial instruments

Financial assets and liabilities

Initial recognition and measurement
Financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either Fair Value through Profit or Loss ("FVPL") or Fair Value through Other Comprehensive Income ("FVOCI"), and "financial assets at amortized cost", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

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

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost unless required to be separated. Cash and other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of operations and comprehensive loss.
Financial instruments (continued)

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

Impairment of financial assets
The Company's only financial assets subject to impairment are other receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, other receivables have been grouped based on shared credit risk characteristics, including the number of days past due.

An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Subsequent measurement – Financial liabilities at FVPL
Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in the consolidated statements of operations.

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

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the statement of financial position date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Revenue and expenses are translated at the transaction date except for amortization, which is translated at historical exchange rates. Gains and losses on translation are included in the statement of operations.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of the assets, liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Judgments, 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, third party advice and financial reporting requirements. However, actual outcomes can differ from these estimates.

The Company has identified the following areas under which significant judgments, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Share-based payments

The Company makes certain estimates and assumptions when calculating fair values of stock options and warrants granted. The significant assumptions used include estimates of expected volatility, expected life, forfeiture rates and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for the issuance of stock options and warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Income, value added, withholding and other taxes

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

Leases

Effective November 1, 2019, the Company adopted IFRS 16 Leases ("IFRS 16"). The IASB issued IFRS 16 which replaces IAS 17 Leases and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessee, introducing a single, on-balance sheet accounting model, with limited exceptions for short-term leases and leases of low-value assets.

Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. The lease liability is measured as the present value of the future minimum lease payments, discounted using the Company's incremental borrowing rate where the rate implicit in the lease in unknown. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the lease has a term of 12 months or less, the Company has elected not to recognize right of use assets and lease liabilities. The lease payments associated with short-term leases are recognized as expenses on a straight-line basis over the lease term. In 2020, the adoption of IFRS 16 had no impact on the Company's consolidated financial statements as all leases were considered to be short-term leases. As indicated in note 8, IFRS 16 was used for the new lease entered into by the Company on December 1, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements not yet adopted

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

IAS 1, Presentation of financial statements: Amendments were made to IAS 1, Presentation of financial statements in order to clarify how to classify debt and other liabilities as either current or non-current. IAS 1 is required to be applied for annual periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

IAS 37 – Onerous Contracts (as early application is permitted)
Provisions, contingent liabilities, and contingent assets under IAS 37 will be amended for annual reporting periods beginning on or after January 1, 2022. The amendments include determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous and the allocation of other costs that relate directly to fulfilling contracts.

This new amendment will be applied to contracts for which the Company has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

4. CAPITAL MANAGEMENT

The capital structure of the Company currently consists of share capital, warrant reserve and equity reserve. As at October 31, 2021, managed capital was $1,160,897 (2020 - $1,309,986). The Company's objective when managing capital is to maintain adequate levels of funding to support the acquisition, exploration and development of mineral properties. The Company manages its capital structure in a manner that provides sufficient funding for operational activities.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, held with major Canadian financial institutions. The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended October 31, 2021 and 2020.

5. FINANCIAL RISK FACTORS

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

a) Credit risk

The Company's credit risk is primarily attributable to cash and other receivables. The Company's cash is held with highly rated financial institutions.

The Company has concluded that credit risk with regards to other receivables, except Mexican VAT receivable on which the Company has recorded an allowance, is minimal.

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 manages liquidity risk through the management of its capital structure as described in Note 4. The Company has no income from operations or a regular source of cash flow and relies on equity funding to support its exploration and corporate activities. Should the need for equity funding arise, there is a risk that the Company may not be successful in selling new common shares at acceptable prices.

As at October 31, 2021, the Company had a cash balance of $1,178,421 (2020 - $1,273,190) to settle current liabilities of $289,849 (2020 - $84,201). Of the Company's current financial liabilities, $239,628 (2020 - $50,906) have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market risk

Interest rate risk

The Company has no loan payable, therefore, the Company is not subject to interest rate risk. The Company invests any cash surplus to its operational needs in investment-grade short- term deposit certificates issued by highly rated Canadian banks. The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. However, the Company has operations outside of Canada, and therefore could be at risk for currency translations. The Company's property acquisition obligation (Note 7) is denominated in United States Dollars ("US$") and is subject to fluctuations in that currency's value relative to the Canadian dollar. The value of the obligation at October 31, 2021 is $30,960 (US$25,000), therefore a 10% rise or fall in the Canadian dollar against the US dollar would have resulted in a decrease (increase) of $3,096 in the net loss.

There were no significant changes to credit risk, liquidity risk and market risk during the years ended October 31, 2021 and 2020.

d) Fair value

The carrying amounts for cash, HST and other receivables, trade payable and accrued liabilities, and property acquisition obligation on the statements of financial position approximate fair value due to their short-term maturity.

(Expressed in Canadian dollars)

6. HST AND OTHER RECEIVABLES

HST and other receivables comprise of:

	2021	2020
	$	$
Other receivables	**89,696**	10,500
HST Receivable	**112,530**	51,290
Mexican VAT receivable	**67,119**	-
	269,345	61,790
Less: Allowance for Mexican VAT receivable	**(67,119)**	-
	202,226	61,790

The Mexican Government does not reimburse the VAT paid on expenses incurred. This tax receivable will be applied against future VAT payable if the Company earns revenue from mining activities in Mexico. The Company has therefore recorded an allowance against this VAT receivable, which will be reversed in the future if the Company earns taxable revenue in Mexico.

7. MINERAL EXPLORATION PROPERTIES

a) Pino de Plata, Mexico

On February 29, 2016, the Company signed an amended agreement that supersedes the original purchase agreement and enables the Company to purchase a 100% interest in the Pino de Plata property. The revised financial terms are as follows:

- Total cash payments reduced from US$1,000,000 to US$500,000 over two years (US$125,000 ($168,459) paid);

- One share issuance of 2,500,000 common shares, issued on June 15, 2016 and valued at $0.07 per common share based on the quoted market value of the common shares on that date. One payment of $250,000 to be paid in common shares in lieu of cash, at a share price equal to the 20-day average closing price of the Company's shares on the TSXV, subject to exchange approvals;

- A three percent (3%) gross production royalty capped at US$4,000,000, which can be purchased for US$1,333,333 per percentage point at any time and are reduced by the total amount of advanced royalty payments; and

- The Company is subject to advanced Royalty payments of US$10,000 per month to commence 30 days after the acquisition is finalized, registered and documented with the proper authorities.

7. MINERAL EXPLORATION PROPERTIES (continued)

a) Pino de Plata, Mexico (continued)

As a result of a delay in being able to access the property, an addendum to the purchase agreement was made in November 2016 to suspend the terms of the agreement until access is gained to the property. Access was granted again in June 2018 but has been revoked in June 2019 and according to the terms of the Agreement remains under force majeure. The ongoing interest in the property is subject to satisfactory resolution of the access restriction. In June 2020, the Company engaged a Mexican legal counsel to engage in discussions with landowner representatives.

On November 7, 2019, the Option Agreement with the concession title owner was fully processed by the Registro Publico de Mineria (Public Mining Registry).

The Company’s minimum commitment as at October 31, 2021 has been recorded as property acquisition obligation on the statement of financial position in the amount of $30,960 (US$25,000) (October 31, 2020 - $33,295 (US$25,000)). The Company has no required minimum work expenditures in the contract during the period and is up to date with the cash and share amounts payable to the vendors with the remaining deferred payments subject to the terms of the force majeure clause in the agreement. The Company remains current on payment of the requisite property taxes on Pino de Plata.

b) Melchett Lake, Ontario

In September 2019, the Company signed a binding letter of intent with three parties to acquire 100% of the Melchett Lake zinc-gold-silver volcanogenic massive sulphide (VMS) project, an advanced precious and base metal project in the Thunder Bay mining district, Northern Ontario, Canada.

After completing due diligence, the Company entered into a purchase agreement on November 20, 2019 to acquire 100% of the property. As consideration, the Company will pay the vendors $150,000 in cash and 5,000,000 common shares of the Company, spread over three years. Prior to October 31, 2021, the Company had paid $50,000 to the vendors and had issued 500,000 common shares valued at $0.04 per shares and 1,000,000 common shares valued at $0.06 per shares to the vendors. Subsequent to the year end, on November 12, 2021, the Company issued 1,500,000 common shares valued at $0.05 per share and on November 15, 2021, paid $50,000 to the vendors.

Given the logistical constraints due to the COVID-19 pandemic, the purchase agreement was amended on November 20, 2020, to modify the exploration expenditures for the first two years of the agreement as follows: Minimum work expenditures total $1,000,000, with $50,000 during the first year, $250,000 in the second year and $700,000 prior to the third anniversary. The vendors will retain a 2% net smelter return royalty, of which 1% can be purchased by the Company for $1,000,000 and the remaining 1% at market price.

7. MINERAL EXPLORATION PROPERTIES (continued)

b) Melchett Lake, Ontario (continued)

The Company has met the minimum work expenditures outlined in the contract during the current year and is up to date with the amounts payable to the vendors.

The Phase 1 winter exploration program was initiated during the second quarter though the surface exploration was delayed to accommodate the negotiation of two First Nations agreements (as noted below), forest fires, COVID-19 issues and further discussions with three additional First Nations.

The Company entered into two exploration agreements, in March 2021 and September 2021, by which Aroland First Nation and Ginoogaming First Nation respectively, in exercising their inherent jurisdictions, have issued their permits and approvals to Silver Spruce to undertake mineral exploration in part of their territory known as Melchett Lake.

The ground exploration remains on hiatus pending the receipt of operating permits from the Ontario Ministry of Energy, Northern Development and Mines (ENDM).

c) El Mezquite, Mexico

On June 9, 2020, the Company signed a binding Option Agreement with Colibri Resource Corp. to acquire 50% interest in its wholly owned Mexican subsidiary Yaque Minerals S.A. de C.V. which holds the El Mesquite Gold project.

As consideration, the Company has paid US$82,500 before September 1, 2020, US$27,500 before September 30, 2021 and will defer payment of US$100,000 by March 1, 2022 as per an amendment to the Agreement with the Vendor and will also reimburse Colibri Resources Corp, $500,000 for 50% of its debenture due in October 2023.

Minimum work expenditure total US$600,000 over the four-year term of the agreement by September 1, 2024, with no specific annual requirement. During the period of the option, the Company will be responsible for 100% payment of the surface rights agreements when exploration is active, 50% of the property taxes and 50% of the interest due at 2.5% annually on the debenture.

The Company has carried out Phase 1 exploration mapping and analysis in three separate campaigns over twelve months in the past year. The Company also contracted a LiDAR survey on the El Mezquite property which was completed in May 2021. A maiden 2,485 meter drill program was completed from June 2, 2021 to August 5, 2021. GIS compilation of the data received through October 2021 remains in progress into the next quarter.

7. MINERAL EXPLORATION PROPERTIES (continued)

c) Jackie, Mexico

On November 17, 2020, the Company signed a Definitive Agreement with Colibri Resource Corp. to acquire 50% interest in the Jackie Gold Project in Sonora, Mexico.

As consideration, on December 14, 2020, the Company issued 500,000 common shares at a price of $0.05 per share to Colibri and on January 5, 2021, paid US$25,000. Subsequent to the year end, on November 15, 2021, the Company paid another US$25,000 and on November 24, 2021, issued another 500,000 common shares at a price of $0.05 per share to Colibri.

There is a minimum work expenditure total of US$100,000 over two years, with a minimum of US$50,000 within 12 months of the TSX approval. During the period of the Option, the Company will be responsible for 100% payment of the surface rights agreements when exploration is active and 50% of the property taxes.

GIS compilation and technical reporting for the program will remain ongoing into the next quarter.

e) Diamante, Mexico

The Company completed its due diligence site visit to the Diamante 1 and 2 properties during March and April 2021 after signing the Letter of Intent with Colibri Resource Corp.

On April 27, 2021, the Company signed a Definitive Agreement with Colibri Resource Corp. and its wholly owned Mexican subsidiary to acquire 50% interest in the Diamante 1 and Diamante 2 Au-Ag concessions in Sonora Mexico.

As consideration, to earn its initial 25% interest in the Property, on May 8, the Company paid an initial cash amount of US$75,000, directed to the Vendor's US$100,000 initial property payment whereupon Silver Spruce and Yaque each will hold a 25% interest in the Property and manage the Property as equal partners ("Partners").

Silver Spruce will be the designated operator of the Property during the earn-in period with the Vendor. The Partners will direct the exploration program via a Project Oversight Committee.

To earn its initial 50% of the Diamante project, Silver Spruce and Yaque also agree to design, permit and drill a minimum of 2,000 metres on the Property within 24 months from the Execution Date of Yaque's final agreement with the Vendor; including any requisite exploration leading to the drill program, submit a final drilling report to meet NI 43-101 reporting guidelines and pay approved exploration costs at a ratio of Silver Spruce (75%) and Yaque (25%).

The Partners will pay to the Vendor 50% of the bi-annual property taxes and surface rights payments.

7. MINERAL EXPLORATION PROPERTIES (continued)

e) Diamante, Mexico (continued)

Upon completion of the initial earn-in, Silver Spruce and Yaque will become equal joint venture partners with the Vendor in BIMCOL, a private Mexico company holding the concessions, pay to the Vendor 50% of the bi-annual property taxes and surface rights payments and pay approved prorata exploration costs at a ratio of Silver Spruce (50%) and Yaque (50%).

f) Mystery, Marilyn and Till Properties, Newfoundland and Labrador

In August 2021, the Company signed a binding letter of intent with two parties to acquire 100% of the three early-stage gold exploration properties, Mystery, Till and Marilyn located near Grand Falls, Newfoundland, Canada.

After completing due diligence, the Company entered into an option and purchase agreement on September 7, 2021 to acquire 100% of the properties. As consideration, the Company will pay the vendors $615,000 in cash and 10,000,000 common shares of the Company, spread over five years. The Company also has to pay a finders fee of 7% of the total amount of cash paid, and issue 7% of the common shares issued to the vendors in parallel with the payment schedule for the vendors.

Minimum work expenditure total $1,500,000 over the five-year term of the agreement by September 7, 2026, with $150,000 during the first year, $200,000 during the second year, $250,000 during the third year, $300,000 during the fourth year and $600,000 during the fifth year. The vendors will retain a 2% net smelter return royalty, of which 1% can be purchased by the Company for $2,000,000 and the remaining 1% at market price.

The Company has paid the vendors $40,000 cash and issued 1,000,000 common shares valued at $0.04 that were due upon the TSX's approval of the agreement. The Company also issued 70,000 common shares valued $0.04 per shares and paid $2,800 as finders fees.

(Expressed in Canadian dollars)

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The right-of-use asset and lease liability recognized by the Company relates to a three-year lease for office space entered into by the Company on December 1, 2020.

Right-of-use asset	Building
	$
Cost	
As at October 31, 2020	-
Additions (Note 8)	58,073
Depreciation	(17,745)
Balance as at October 31, 2021	**40,328**

Lease Liability	
	$
As at October 31, 2020	-
Additions (Note 8)	58,073
Lease payments	(19,146)
Interest expense on lease liability	2,314
Balance as at October 31, 2021	**41,241**
Current	**19,261**
Long-term	**21,980**

9. CANADA EMERGENCY BUSINESS ACCOUNT LOAN ("CEBA loan")

During the year ended October 31, 2020, as part of the Canadian government funded COVID-19 financial assistance programs, the Company received a loan in the amount of $40,000 from the bank. The CEBA loan is due on December 31, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

The benefit of the government loan received at below market rate of interest was treated as a government grant. The loan was recognized at fair value using the rate of 4% per annum, totalling $27,552. The difference between the initial carrying amount and proceeds received is the value of the grant of $12,488, which was recognized by the Company in the year ended October 31, 2020.

During the second quarter of 2021, the Company repaid the 75% loan portion and therefore, recognized a fair value adjustment of $2,448.

(Expressed in Canadian dollars)

10. INCOME TAXES

a) Reconciliation of total tax expense

The effective rate on the Company's loss before income tax differs from the expected amount that would arise using the combined statutory income tax rates. A reconciliation of the difference is as follows:

	2021	2020
	$	$
Net loss before income taxes	**(2,386,857)**	(782,438)
Income tax rate	**29.00%**	29.00%
Expected income tax recovery	**(692,000)**	(227,000)
Non-deductible amounts for income tax purposes	**125,000**	116,000
Other	**567,000**	111,000
Income tax recovery	**-**	-

b) Unrecognized deductible temporary differences and unused tax losses

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2021	2020
	$	$
Property and equipment	**-**	72,000
Non-capital losses	**2,355,000**	2,136,000
Mineral exploration properties	**3,616,000**	3,295,000
Share issue costs	**68,000**	41,000
	6,039,000	5,544,000

(Expressed in Canadian dollars)

10. INCOME TAXES (continued)

c) The Company has non-capital losses amounting to $8,055,0000, which are available to reduce future taxable income. These non-capital losses expire as follows:

	$
2027	255,000
2028	278,000
2029	525,000
2030	340,000
2031	127,000
2034	157,000
2035	2,221,000
2036	955,000
2037	872,000
2038	570,000
2039	665,000
2040	378,000
2041	712,000
	8,055,000

The potential future benefit of these losses has not been recognized in the consolidated financial statements because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(Expressed in Canadian dollars)

11. SHARE CAPITAL

The share capital is as follows:

Authorized:
An unlimited number of non-voting preference shares
An unlimited number of common shares, no par value

Issued and outstanding:	**October 31, 2021** Number of shares	Ascribed value	October 31, 2020 Number of shares	Ascribed value
		$		$
Balance - Beginning of year	**144,535,833**	**31,781,728**	91,155,833	30,228,208
Issued during the year				
Shares issued for cash, net of issuance costs (b), (c) and (f)	**24,116,000**	**615,842**	41,280,000	1,047,273
Shares issued as part of finders fees (b)	**-**	**-**	300,000	15,000
Shares issued as flow-through units for cash (a) and (e)	**13,753,334**	**561,096**	300,000	9,247
Shares issued as part of an option and purchase agreement (Note 6(b), (d), and (f))	**2,500,000**	**125,000**	500,000	20,000
Shares issued for property obligation (d)	**-**	**-**	1,700,000	68,000
Shares issued as debt settlement (d)	**-**	**-**	7,000,000	210,000
Shares issued for warrants exercised	**2,011,000**	**171,060**	2,300,000	184,000
Shares issued for stock options exercised	**133,333**	**13,333**	-	-
Shares issued as part of a finders fees on option purchase agreement	**70,000**	**2,800**	-	-
Balance - End of Year	**187,119,500**	**33,270,859**	**144,535,833**	**31,781,728**

a) In December 2019, the Company closed a non-brokered flow through private placement to raise gross proceeds of $15,000. The offering consisted of the issuance of 300,000 units ("Unit") of the Company. Each Unit was offered at a price of $0.05 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.075 per common share if exercised within 12 months of the closing of the offering. Officers and directors of the Company subscribed for 200,000 Units for gross proceeds of $10,000. Of the gross proceeds of $15,000, a total of $5,753 was assigned to the warrants and $9,247 was allocated to share capital. The warrants were estimated using the Black Scholes option pricing model (See Note 12(a)).

11. SHARE CAPITAL (continued)

b) In January 2020, the Company closed a non-brokered private placement to raise gross proceeds of $244,500. The offering consisted of the issuance of 4,890,000 units ("Unit") of the Company. Each Unit was offered at a price of $0.05 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.075 per common share if exercised within 24 months of the closing of the offering. Officers and directors of the Company subscribed for 390,000 Units for gross proceeds of $19,500. Of the gross proceeds of $244,500, a total of $106,754 was assigned to the warrants and $137,746 was allocated to share capital. The warrants were estimated using the Black Scholes option pricing model (Note 12). As part of the private placement, the Company also issued 300,000 shares as finders' fees and paid $7,875 in cash. The fair value of the shares on the issuance date was $15,000. Of the finders' fees, $12,888 was assigned to share capital and $9,987 was assigned to the warrants (See Note 12(b)).

c) In August 2020, the Company closed a non-brokered private placement to raise gross proceeds of $1,819,500. The offering consisted of the issuance of 36,390,000 units ("Unit") of the Company. Each Unit was offered at a price of $0.05 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.10 per common share if exercised within 36 months of the closing of the offering. Officers and directors of the Company subscribed for 1,670,000 Units for gross proceeds of $83,500. Of the gross proceeds of $1,819,500, a total of $817,940 was assigned to the warrants and $1,001,560 was allocated to share capital. The warrants were estimated using the Black Scholes option pricing model (Note 12). As part of the private placement, the Company also issued 165,000 broker warrants and paid $136,595 in cash. The broker warrants were estimated at $8,085 using the Black Scholes option pricing model. Of the finders' fees, $79,640 was assigned to share capital and $65,040 was assigned to the warrants (See Note 12(c)).

d) During the year ended October 31, 2020, the Company issued 8,700,000 common shares valued at $278,000 to settle outstanding debts and loans of $492,547. The Company recorded a gain on settlement of debts of $214,547.

e) On February 5, 2021, the Company closed a non-brokered private placement of flow-through units raising gross proceeds of $825,200. The Offering consisted of the issuance of 13,753,334 units (Unit) of the Company. Each Unit was offered at a price of $0.06 and consisting of one common share in the capital of the Company and one-half share purchase warrant. The private placement closed in two tranches with 12,203,334 units closing December 31, 2020 and 1,550,000 units closing February 5, 2021. Each full warrant entitles the holder to purchase an additional common share of the Company for $0.075 at any time prior to the expiry dates of December 31, 2022 and February 5, 2023, respectively. Officers and directors of the Company subscribed for 500,000 Units for gross proceeds of $30,000. Of the gross proceeds of $825,200, a total of $224,173 was assigned to the warrants and $601,027 was allocated to share capital. The warrants were estimated using the Black Scholes option pricing model (Note 12). As part of the private placement, the Company paid finders' fees of $54,824, of which $39,931 was assigned to share capital and $14,893 was assigned to the warrants (See Notes 12(d) and 12(e)).

f) On September 29, 2021, the Company closed a non-brokered private placement to raise gross proceeds of $1,205,800. The offering consisted of the issuance of 24,116,000 units ("Unit") of the Company. Each Unit was offered at a price of $0.05 and consisted of one common share and one share purchase warrant, with each whole warrant exercisable at a price of $0.075 per common share if exercised within 36 months of the closing of the offering. Of the gross proceeds of $1,205,800, a total of $525,106 was assigned to the warrants and $680,894 was allocated to share capital. The warrants were estimated using the Black Scholes option pricing model (Note 12). As part of the private placement, the Company paid finders' fees of $114,800, of which $64,772 was assigned to share capital and $50,028 was assigned to the warrants (See Notes 12(f)).

(Expressed in Canadian dollars)

12. WARRANTS

The following is a summary of warrants activity for the years ended October 31, 2021 and October 31, 2020:

	October 31, 2021		October 31, 2020	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**67,792,841**	**0.08**	28,347,841	0.08
Granted in connection with private placements	**30,992,667**	**0.08**	41,745,000	0.10
Exercised during the year	**(2,011,000)**	**0.05**	(2,300,000)	0.05
Expired during the year	**(5,524,000)**	**0.08**	-	-
Balance, end of year	**91,250,508**	**0.08**	67,792,841	0.08

a) In connection with the December 31, 2019 private placement disclosed in Note 11(a), the Company issued 300,000 warrants. The grant date fair value of $5,753 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 205%, a risk free interest rate of 1.71%, and an expected life of 1 year.

b) In connection with the January 23, 2020 private placement disclosed in Note 11(b), the Company issued 4,890,000 warrants. The grant date fair value of $106,754 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 194%, a risk free interest rate of 1.71%, and an expected life of 2 years. Finders' fee of $9,987 was also assigned to the warrants.

c) In connection with the August 18, 2020 private placement disclosed in Note 11(c), the Company issued 36,390,000 warrants and 165,000 broker warrants. The grant date fair values of $817,940 and $8,085 assigned to the warrants and broker warrants were estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 167%, a risk free interest rate of .30%, and an expected life of 3 years. Finders' fee of $65,040 was also assigned to the warrants.

d) In connection with tranche 1 of the February 5, 2021 private placement disclosed in Note 11(e), the Company issued 6,101,667 warrants. The grant date fair value of $198,809 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 172%, a risk free interest rate of 0.20%, and an expected life of 2 years. Finders' fee of $13,118 was also assigned to the warrants.

(Expressed in Canadian dollars)

12. WARRANTS (continued)

e) In connection with tranche 2 of the February 5, 2021 private placement disclosed in Note 11(e), the Company issued 775,000 warrants. The grant date fair value of $25,364 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 171%, a risk free interest rate of 0.17%, and an expected life of 2 years. Finders' fee of $1,775 was also assigned to the warrants.

f) In connection with the September 29, 2021 private placement disclosed in Note 11(f), the Company issued 24,116,000 warrants. The grant date fair value of $525,106 assigned to the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility based on historical volatility of 165%, a risk free interest rate of 0.49%, and an expected life of 3 years. Finders' fee of $50,028 was also assigned to the warrants.

Summary of warrants outstanding as at October 31, 2021:

Warrants	Exercise price	Grant date fair value of warrants	Expiry date
#	$	$	
4,890,000	0.075	96,767	January 23, 2022
13,058,841	0.05	141,677	February 26, 2022
5,754,000	0.06	142,029	May 7, 2023
36,555,000	0.10	760,985	August 18, 2023
6,101,667	0.075	185,691	December 31, 2022
775,000	0.075	23,589	February 5. 2023
24,116,000	0.075	475,078	September 29, 2024
91,250,508		1,825,816	

13. SHARE BASED PAYMENTS

The Board of Directors of the Company has adopted a stock option plan for the Company. Pursuant to the plan, the Board of Directors of the Company may allocate common shares to its directors, officers and certain consultants. The aggregate number of stock options to be granted under the plan should not exceed 20% of the issued and outstanding capital of the Company and the aggregate number of shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The vesting period for options is set by the Company at the time the options are granted. The shareholders of the Company are covered by a Shareholder Rights Plan Agreement between the Company and CIBC Mellon Trust Company.

(Expressed in Canadian dollars)

13. SHARE BASED PAYMENTS (continued)

Share based payment activity for the years ended October 31, 2021 and October 31, 2020 is summarized as follows:

	October 31, 2021		October 31, 2020	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
		$		$
Balance, beginning of year	**7,050,000**	**0.05**	600,000	0.15
Granted during the year	**1,000,000**	**0.05**	7,050,000	0.05
Exercised during the year	**(133,333)**	**0.05**	-	-
Expired during the year	**-**	**-**	(600,000)	0.15
Balance, end of year	**7,916,667**	**0.05**	7,050,000	0.05

The weighted average trading share price for the options exercised during the year was $0.10 (2020 - $nil).

At October 31, 2021, outstanding options to acquire common shares of the Company were as follows:

Exercise price	Number of outstanding options	Weighted average remaining contractual life of outstanding options (years)	Grant date weighted average fair value per option	Number of exercisable options
$			$	
0.05	6,616,667	3.63	0.038	4,366,667
0.05	300,000	3.82	0.063	200,000
0.06	250,000	4.39	0.057	83,333
0.05	750,000	4.42	0.057	250,000
	7,916,667			4,900,000

The weighted average grant date fair value of options granted during period was $0.057 (2020- $0.038l) The amount of stock-based compensation expense of $141,420 (2020- $142,883) was charged to w income statement and credited to the equity reserve in the statement of financial position.

The fair value of the options granted was estimated at the grant date based on the Black-Scholes option pricing model using the following assumptions:

	2021	2020
Risk-free interest rate	**0.95%**	0.41%
Expected life	**5 years**	5 years
Expected volatility	**176%**	185%-187%
Expected dividend yield	**nil**	nil
Expected forfeiture rate	**nil**	nil

(Expressed in Canadian dollars)

14. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities as at October 31, 2021 is $16,521 (2020 - $5,000) owing to directors and companies controlled by directors of the Company for consulting related services rendered. These amounts are unsecured, non-interest bearing with no fixed terms of repayment.

During the year ended October 31, 2021, key management personnel compensation consisted of services provided by directors or companies owned by directors or officers of $266,200 (2020 - $140,105), which are classified as $169,325 (2020 - $130,605) for consulting fees, $1,100 (2020 - $nil) as office expense and $95,775 (2020 - $9,000) as exploration and evaluation expenditures on the consolidated statement of operations.

See also Note 11 (a,b,c & e)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2021	2020
	$	$
Non-cash investing and financing activities:		
Initial recognition of right-of-use assets and associated liability	**58,073**	-
Settlement of debt with issue of shares	**-**	494,212
Shares issued for finders fees	**-**	15,000
Forgiveness of payables	**-**	17,902
Value of shares issued on exercise of warrants over cost of warrants	**77,142**	69,000
Expiry of warrants	**120,211**	-

16. COMMITMENTS AND CONTINGENCIES

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

See Note 7 for other property commitments.

17. SUBSEQUENT EVENTS

i. On December 5, 2021, 1,500,000 Company stock options expired.
ii. On January 23, 2022, 4,890,000 Company warrants expired.