CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cypress Hills Resource Corp.

Opinion

We have audited the accompanying consolidated financial statements of Cypress Hills Resource Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020 and the consolidated statements of loss and comprehensive loss, changes in shareholders' 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, these consolidated financial statements present fairly, in all material respects, the financial position of 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 ("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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

February 24, 2022

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

		December 31, 2021		December 31, 2020
Assets				
Current assets				
Cash	**$**	**246,158**	$	355,321
Accounts receivable		**445**		2,451
Deposit		**-**		391
Total assets	**$**	**246,603**	$	358,163
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities – Note 9	**$**	**40,596**	$	53,067
Total liabilities		**40,596**		53,067
Shareholders' equity				
Share capital – Note 7		**2,375,173**		2,367,923
Contributed surplus – Note 7		**-**		355,769
Deficit		**(2,169,166)**		(2,418,596)
Total shareholders' equity		**206,007**		305,096
Total liabilities and shareholders' equity	**$**	**246,603**	$	358,163

Basis of presentation and going concern (Note 2)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS

Signed: *"Brian Bayley"*
Brian Bayley, Director

Signed: *"Richard Graham"*
Richard Graham, Director

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

For the years ended December 31,	**2021**	2020
Operating and administrative expenses		
Corporate and administrative services – Note 9	**$ 30,001**	**$ 17,602**
Professional fees	**28,521**	**37,717**
Transfer agent, listing, filing and shareholder communications fees	**13,387**	**23,842**
Office and other	**405**	**1,150**
Consulting	**-**	**3,600**
Interest on shareholder loans – Notes 6 and 9	**-**	**2,183**
Total operating and administrative expenses	**(72,314)**	**(86,094)**
Other income (expenses)		
Exploration and evaluation expenses – Note 5	**(32,250)**	**-**
(Loss) gain on derecognition of financial instruments - Note 8	**(1,775)**	**22,868**
Gain on disposal of subsidiary – Note 4	**-**	**56,719**
Operating expenses and royalties	**-**	**(2,295)**
Oil and gas sales	**-**	**26**
Net loss and comprehensive loss for the year	**$(106,339)**	**$ (8,776)**
Weighted average number of common shares outstanding (basic and diluted)	**19,984,705**	**13,869,069**
Basic and diluted loss per common share	**$ (0.01)**	**$ (0.00)**

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

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Share Capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2019	$ 1,681,949	$ 355,769	$ (2,409,820)	$ (372,102)
Private placement of common shares	700,000	-	-	700,000
Share issuance costs	(14,026)	-	-	(14,026)
Net loss and comprehensive loss	-	-	(8,776)	(8,776)
Balance, December 31, 2020	2,367,923	355,769	(2,418,596)	305,096
Reclassification – Note 7	-	(355,769)	355,769	-
Issuance of shares	7,250	-	-	7,250
Net loss and comprehensive loss	-	-	(106,339)	(106,339)
Balance, December 31, 2021	**$ 2,375,173**	**$ -**	**$ (2,169,166)**	**$ 206,007**

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

CYPRESS HILLS RESOURCE CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

For the years ended December 31,	**2021**	2020
OPERATING ACTIVITIES		
Net loss for the year	**$ (106,339)**	$ (8,776)
Adjustments for non-cash items:		
Non-cash exploration and evaluation expenses	**7,250**	-
Loss (gain) on derecognition of financial instruments	**1,775**	(22,868)
Gain on disposal of subsidiary	**-**	(56,719)
Accrued interest on shareholder loans	**-**	2,183
Change in non-cash working capital items:		
Accounts receivable	**622**	(961)
Accounts payable and accrued liabilities	**(12,471)**	(103,739)
Total cash used in operating activities	**(109,163)**	(190,880)
INVESTING ACTIVITIES		
Derecognized on disposal of subsidiary	**-**	(15,000)
Total cash used in investing activities	**-**	(15,000)
FINANCING ACTIVITIES		
Proceeds from sale of shares	**-**	700,000
Payment of share issuance costs	**-**	(14,026)
Proceeds from shareholder loans	**-**	40,000
Repayment of shareholder loans	**-**	(170,253)
Total cash provided by financing activities	**-**	555,721
Change in cash for the year	**(109,163)**	349,841
Cash, beginning of year	**355,321**	5,480
Cash, end of year	**$ 246,158**	$ 355,321

Supplemental cash flow information

During the year ended December 31, 2021, the Company issued 25,000 common shares with a fair value of $7,250 as a mineral option payment recognized in exploration and evaluation expense. There were no other non-cash investing or financing activities during years ended December 31, 2021 and 2020.

NOTE 1 – NATURE OF BUSINESS

Cypress Hills Resource Corp. (the "Company" or "Cypress") is a Tier 2 mining issuer on the TSX Venture Exchange ("TSXV") and holds an option to earn up to an undivided 80% interest in 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory (Note 5). Previously, the Company held, through a wholly-owned subsidiary, minor working and royalty interests in oil and gas properties that had no significant revenues. On December 31, 2020, the Company sold the shares in the subsidiary and retains no direct or indirect interest in these properties.

The Company completed a private placement of its common shares for total gross proceeds of $700,000 on August 11, 2020. The gross proceeds from the private placement were used to repay shareholder loans and other outstanding accounts payable and accrued liabilities and will be used to fund future working capital requirements including payments and expenditures required pursuant to the quartz mining option, although additional financing is required to make all future option payments.

On April 9, 2021, the Company continued into British Columbia from the Jurisdiction of Alberta and the address of the Company's principal operating office is #1703, 595 Burrard St., Vancouver, B.C. Further information is available on the Company's profile on www.sedar.com.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the COVID-19 coronavirus outbreak a pandemic, which continues to spread globally. To date, the COVID-19 pandemic has not had a significant impact on the Company's operations or on the carrying value of its assets. However, the pandemic's effect on broader capital markets may hinder the Company's ability to raise additional financing and its effect on the Company's ability to conduct future mineral exploration is unknown and will depend on, among other factors, the availability of contractors, travel or other restrictions, and the efficacy and timing of vaccinations.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Significant accounting policies and the applicable basis of measurement used in the preparation of these consolidated financial statements are described in Note 3.

These consolidated financial statements were authorized by the Board of Directors on February 24, 2022.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN (continued)

b) 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 operations for the next 12 months and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has working capital of $206,007 as at December 31, 2021 (December 31, 2020 - $305,096). Working capital as at December 31, 2021 includes $246,158 in cash which is sufficient to pay the $40,596 in accounts payable and accrued liabilities then outstanding and for routine operations for the next 12 months, including payments required to maintain its mineral option (Note 1). However, without any source of revenue, additional financing will be required in the longer-term.

If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and classification of the Company's assets and liabilities and such adjustments may be significant. The accompanying consolidated financial statements do not include any adjustments that might result if the Company is unable to continue as a going concern.

NOTE 3 – ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. These financial statements have been prepared based on the accrual basis of accounting, except for cash flow information, and are presented in Canadian dollars, which is also the functional currency of the Company and its consolidated subsidiary.

b) Basis of consolidation

These consolidated financial statements include the financial results of all controlled entities from the date control commences until the date that control ceases. During the year end December 31, 2020, the Company had one wholly-owned subsidiary, Cypress Hills Holdings Corp. ("CHHC"). On December 31, 2020, the Company sold its entire interest in CHHC. As such, these consolidated financial statements include the Company's accounts and those of CHHC until December 31, 2020.

All transactions between consolidated entities are eliminated in the consolidation of these consolidated financial statements.

NOTE 3 – ACCOUNTING POLICIES (continued)

c) Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value along with, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit and loss. The Company classifies its financial assets and financial liabilities in the following measurement categories:

i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
ii) those to be measured at amortized cost.

Financial assets

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income.

The Company has classified its financial assets as follows:

- Cash is measured at fair value with changes to fair value subsequent to initial recognition being recorded in profit or loss for the period in which they occur.
- Amounts receivable are measured at amortized cost using the effective interest rate method. Interest income, where material, is recorded in profit or loss.

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The Company has not recognized any impairment losses on its amounts receivable.

Financial liabilities

Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). Any fair value changes due to credit risk for liabilities designated at fair value through profit and loss are recorded in other comprehensive income.

The Company's financial liabilities include accounts payable and accrued liabilities which are measured at amortized cost using the effective interest rate method. Interest expense, where material, is recorded in profit or loss.

The Company derecognizes a financial liability when the liability is extinguished by way of discharge, cancellation or expiry.

NOTE 3 – ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

Amounts paid for exploration and evaluation assets as well as on-going exploration expenditures are charged to operations as incurred. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black-Scholes option pricing model, for mineral property interests pursuant to the terms of the acquisition agreement. These assets include those acquired under an option agreement and such costs include both installment payments and required exploration expenditures.

After a property is determined by management to be commercially feasible, development expenditures on the property are capitalized. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, are recorded as recoveries at the time of receipt. Where recoveries exceed costs, such amounts are recognized in profit or loss.

e) Share issue costs

Costs incurred to issue shares, which may include cash or equity-settled payments, are accounted for as a reduction in share capital.

f) Taxation

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

Deferred tax assets or liabilities arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as in the amounts recognized in income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

NOTE 3 – ACCOUNTING POLICIES (continued)

g) Per share amounts

Basic loss or earnings per share is calculated by dividing loss or earnings attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss or earnings per share is determined by adjusting the loss or earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period. In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive. For the years ended December 31, 2021 and 2020, no dilutive stock options or share purchase warrants were outstanding.

h) Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these consolidated financial statements.

Areas where management is required to make significant judgments or where measurements are uncertain are as follows:

i) Taxation

Estimates

Deferred tax assets and liabilities are determined using the tax rates expected to be in effect at the time the assets are realized and liabilities settled. The actual tax rate in effect at that time may vary from the expected tax rates.

Judgments

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters. However, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recovered.

(Expressed in Canadian Dollars)

NOTE 4 – DISPOSAL OF SUBSIDIARY

On December 31, 2020, the Company sold its entire holdings in CHHC for $1. Immediately prior to disposal, CHHC held net liabilities of $56,718, resulting in a $56,719 gain on disposal of subsidiary. The assets and liabilities disposed by way of the sale of CHHC were as follows:

	Carrying Value
	$
Cash	15,001
Accounts receivable	656
Accounts payable and accrued liabilities	(35,494)
Decommissioning liabilities	(36,881)
Net liabilities	(56,718)

NOTE 5 – EXPLORATION AND EVALUATION ASSETS

On November 20, 2020, the Company entered into a property option agreement (the "Property Agreement") with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited which allows the Company to earn an undivided 80% interest in and to 267 quartz mining claims located in the Whitehorse Mining District, Yukon Territory (the "Property"), 100% of which is currently held by Strategic. To exercise the option, the Company must make various cash payments to Strategic, totaling $155,000, issue 25,000 of its common shares to Strategic, and must incur aggregate exploration expenses of $2,600,000. The Property Agreement was amended on September 20, 2021 (the "September 2021 Amendment") to extend the due dates for the option payment and exploration requirements by one year.

During the year ended December 31, 2021 the Company fulfilled the first two option requirements comprising a $15,000 cash payment and issuance of 25,000 common shares with a fair value of $7,250. Additionally, the Company paid $10,000 for the extension to the option due dates pursuant to the September 2021 Amendment. In accordance with its accounting policy, the Company recorded an exploration and evaluation expense of $32,250 for the combined value of these payments.

As at December 31, 2021 and following the September 2021 Amendment, the remaining payments and exploration expenditures to exercise the option are as follows:

Requirement	Amount	Due Date
	$	
Cash payment	20,000	On or before January 5, 2023
Cash payment	30,000	On or before January 5, 2024
Cash payment	40,000	On or before January 5, 2025
Cash payment	50,000	On or before January 5, 2026
Total remaining cash payments	*140,000*	
Exploration expenditure	200,000	On or before December 31, 2022
Exploration expenditure	600,000	On or before November 20, 2023
Exploration expenditure	800,000	On or before November 20, 2024
Exploration expenditure	1,000,000	On or before November 20, 2025
Total remaining exploration expenditures	*2,600,000*	

(Expressed in Canadian Dollars)

NOTE 6 – SHAREHOLDER LOANS

Following a private placement of common shares during the year ended December 31, 2020, the Company repaid $170,253 in shareholder loans and related interest owing to Brian Bayley and Ted Fostey, two directors of the Company. Prior to repayment of these loans, the Company received $40,000 and accrued $2,183 in interest in the year ended December 31, 2020.

NOTE 7 – SHAREHOLDERS' EQUITY

a) Share capital

i. Authorized: Unlimited common shares and preferred shares without par value.

ii. Issued and outstanding:

No preferred shares were issued and outstanding as at or during the years ended December 31, 2021 or 2020. Changes to the number of common shares issued and outstanding are as follows:

	Number of Common Shares	Carrying Value
		$
Balance, December 31, 2019	9,961,965	1,681,949
Private placement of common shares	10,000,000	700,000
Share issuance costs	-	(14,026)
Balance, December 31, 2020	19,961,965	2,367,923
Shares issued for Property option	25,000	7,250
Balance, December 31, 2021	**19,986,965**	**2,375,173**

On August 11, 2020, the Company issued 10,000,000 common shares by way of a non-brokered private placement (the "Private Placement") at a price of $0.07 per share for gross proceeds of $700,000. The Company incurred share issuance costs of $14,026 for legal services provided in connection with this placement.

On February 3, 2021, the Company issued 25,000 common shares to Strategic as an option payment for the Property (Note 5). On the date issued, the shares had a fair value of $7,250.

b) Stock options

The Company may grant stock options for up to 10% of the issued and outstanding common shares of the Company. The options are exercisable for a period of up to five years from the date of grant, as determined by the Board of Directors, and the exercise price cannot be less than the last price on the TSX Venture Exchange immediately preceding the grant of the options. The Board of Directors determines the time at which any options may vest. No stock options were outstanding as at or during the years ended December 31, 2021 or 2020.

As at December 31, 2020, the Company had a $355,769 equity reserves balance for the fair value of stock options previously granted, but which have expired or were cancelled. During the year ended December 31, 2021, this amount was reclassified to deficit.

(Expressed in Canadian Dollars)

NOTE 8 – DERECOGNITION OF FINANCIAL INSTRUMENTS

During the year ended December 31, 2021, the Company recognized a $1,775 loss on the derecognition of financial instruments owing to the write-off of certain long-outstanding accounts receivable related to its former oil and gas activities.

During the year ended December 31, 2020, the Company recognized a $22,868 gain on derecognition of financial instruments owing to the write-off of accounts payable and accrued liabilities for which the statutory period of collection had passed.

NOTE 9 – RELATED PARTY TRANSACTIONS

The Company is party to a corporate service agreement with Earlston Management Corp. ("Earlston"), a company related by virtue of providing management services to the Company and having certain officers and directors in common. During the year ended December 31, 2021, Earlston charged $30,001 (2020 - $17,602) for corporate, accounting and administrative services and as at December 31, 2021, $5,252 (December 31, 2020 - $3,680) was owing to Earlston and is included in accounts payable and accrued liabilities.

During the year ended December 31, 2020, the Company repaid loans from certain directors of the Company. These loans, including amounts received and related interest accrued prior to repayments are described further in Note 6.

NOTE 10 – TAXATION

Following the Company's continuation into British Columbia from the Jurisdiction of Alberta on April 9, 2021, the Company's effective tax rate for the year ended December 31, 2021 was 27% (2020 – 24%) and a reconciliation of income taxes at statutory rates with the reported taxes is as follows:

For the years ended December 31,	**2021**	2020
	$	$
Loss before income taxes	**(106,339)**	(8,776)
Expected income tax (recovery)	**(29,000)**	(2,000)
Adjustment to prior year's provision versus statutory return	**3,000**	(1,000)
Change in statutory tax rates, foreign exchange rates and other	**(251,000)**	(1,000)
Impact of sale of subsidiary	**-**	27,000
Permanent differences	**-**	(12,000)
Share issuance cost	**-**	(3,000)
Change in unrecognized deductible temporary differences	**277,000**	(8,000)
Total income tax recovery	**-**	-

(Expressed in Canadian Dollars)

NOTE 10 – TAXATION (continued)

Deferred tax assets as at December 31, 2021 have been calculated using a combined federal and provincial substantively-enacted tax rate of 27% (December 31, 2020 – 23%) and include the following items which are not reported on the consolidated statement of financial position:

As at December 31,	**2021**	2020
	$	$
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	**169,000**	137,000
Property and equipment	**-**	1,000
Share issuance costs	**2,000**	3,000
Decommissioning liabilities	**-**	-
Allowable capital losses	**668,000**	569,000
Non-capital losses available for future periods	**896,000**	748,000
Total potential deferred tax assets	**1,735,000**	1,458,000
Unrecognized deferred tax assets	**(1,735,000)**	(1,458,000)
Net deferred tax assets	**-**	-

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:

As at December 31,	**2021**	**Expiry Date Range**	2020	Expiry Date Range
	$		$	
Temporary Differences				
Exploration and evaluation assets	**626,000**	**No expiry date**	595,000	No expiry date
Property and equipment	**1,000**	**No expiry date**	1,000	No expiry date
Share issuance costs	**8,000**	**2042 to 2044**	11,000	2041 to 2044
Allowable capital losses	**2,475,000**	**No expiry date**	2,475,000	No expiry date
Non-capital losses available for future periods	**3,319,000**	**2027 to 2041**	3,253,000	2027 to 2040

Tax attributes are subject to review, and potential adjustment, by tax authorities.

NOTE 11 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2021, the Company's financial instruments comprise cash, accounts receivable and accounts payable and accrued liabilities. The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Fair values of financial instruments are classified in a fair value hierarchy based on the inputs used to determine fair values. The levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

As at December 31, 2021, the fair value of cash held by the Company was based on level 1 inputs of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss arising from a customer or third party to a financial instrument failing to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions.

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 ensures there is sufficient capital to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. As at December 31, 2021, the Company had a cash balance of $246,158 which is sufficient to pay current liabilities of $40,596, as well as on-going operating requirements for the next 12 months. However, additional capital will be required to maintain the current Property option and for longer-term operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. As the Company does not currently hold and does not expect to hold interest-bearing financial instruments other than cash, assets or liabilities denominated in a foreign currency, and marketable securities or other financial instruments subject to fluctuations in equity prices, it currently does not have and is not expected to have exposure to these market risks.

NOTE 12 – CAPITAL STRUCTURE

The Company manages capital to safeguard its ability to operate as a going concern while pursuing opportunities for growth through identifying and evaluating potential acquisitions or businesses. The Company defines capital as the Company's shareholders' equity. The Company manages its capital structure in the context of its financial position as well as broader economic and financial market conditions. The Company is not subject to any externally imposed capital requirements and its Board of Directors does not establish a quantitative return on capital criteria for management.

There were no changes in the Company’s approach to capital management during the year ended December 31, 2021.