

MILLENNIUM SILVER CORP.

(FORMERLY INTERNATIONAL MILLENNIUM MINING CORP.)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

(Expressed in Canadian Dollars)

(unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements of Millennium Silver Corp. (formerly International Millennium Mining Corp.) for the three and nine months ended September 30, 2021, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

Millennium Silver Corp.
(formerly International Millennium Mining Corp.)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	September 30, 2021 \$	December 31, 2020 \$
	(unaudited)	
Assets		
Current		
Cash	11,776	232,048
Amounts receivable	1,216	774
Prepaid expenses (Note 7)	3,822	21,614
Total current assets	16,814	254,436
Non-current assets		
Exploration and evaluation assets (Note 5)	6,218,903	6,105,008
Total assets	6,235,717	6,359,444
Current		
Accounts payable and accrued liabilities (Note 7)	38,268	29,870
Due to related parties (Note 7)	40,780	26,250
Total current liabilities	79,048	56,120
Non-current liabilities		
Convertible debentures (Note 6)	19,058	63,022
Total liabilities	98,106	119,142
Shareholders' equity		
Share capital	20,468,968	20,452,368
Equity reserves	1,333,693	1,179,846
Accumulated other comprehensive income	1,058,232	1,052,250
Deficit	(16,723,282)	(16,444,162)
Total shareholders' equity	6,137,611	6,240,302
Total liabilities and shareholders' equity	6,235,717	6,359,444

Nature of operations (Note 1)
Subsequent events (Note 12)

Approved and authorized for issuance on behalf of the Board of Directors on November 29, 2021:

"John A. Versfelt" Director

" Robert Drago" Director

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

Millennium Silver Corp.
(formerly International Millennium Mining Corp.)
CONDENSED CONSOLIDATED STATEMENTS ON OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021 \$	2020 \$	2021 \$	2020 \$
Expenses				
Accounting and legal	2,450	3,000	24,546	25,800
Administration fees (Note 7)	9,000	9,000	27,000	27,000
Consulting fees (Note 7)	5,690	5,550	16,690	16,550
Directors' fees (Note 7)	5,250	13,500	18,000	20,250
Foreign exchange loss	(122)	2,496	1,627	5,495
Office and miscellaneous	2,863	3,160	7,205	10,224
Share-based compensation (Notes 7 and 8)	–	–	153,847	–
Transfer agent and filing fees	6,130	8,127	17,869	21,524
Total expenses	31,261	44,833	266,784	126,843
Loss before other expense	(31,261)	(44,833)	(266,784)	(126,843)
Other expenses				
Accretion of discount on convertible debentures (Note 6)	(342)	(4,917)	(6,035)	(6,361)
Interest expense	(600)	(4,976)	(6,301)	(11,984)
Other expenses	–	(5)	–	(5)
Total other expenses	(942)	(9,898)	(12,336)	(18,350)
Net loss for the period	(32,203)	(54,731)	(279,120)	(145,193)
Other comprehensive income (loss)				
Foreign currency translation gain (loss)	150,585	137,625	(5,982)	(163,248)
Comprehensive income (loss) for the period	118,382	82,894	(285,102)	(308,441)
Loss per share, basic and diluted	–	–	–	–
Weighted average number of shares outstanding, basic and diluted	220,692,074	194,011,669	220,349,402	182,873,322

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

Millennium Silver Corp.
(formerly International Millennium Mining Corp.)
CONDENSED CONSOLIDATED STATEMENTS ON CHANGES IN EQUITY
(Expressed in Canadian Dollars)
(unaudited)

	Share Capital		Equity reserves \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity \$
	Number of shares	Amount \$				
Balance, December 31, 2020	220,175,226	20,452,368	1,179,846	1,052,250	(16,444,162)	6,240,302
Shares issued for exploration and evaluation assets	830,000	16,600	–	–	–	16,600
Fair value of stock options granted	–	–	153,847	–	–	153,847
Foreign currency translation adjustment	–	–	–	5,982	–	5,982
Net loss for the period	–	–	–	–	(279,120)	(279,120)
Balance, September 30, 2021	221,005,226	20,468,968	1,333,693	1,058,232	(16,723,282)	6,137,611
Balance, December 31, 2019	171,302,476	19,551,012	1,065,953	1,180,496	(16,167,203)	5,630,258
Shares issued for settlement of debt	15,899,500	317,990	–	–	–	317,990
Shares issued for private placement	32,973,250	659,465	–	–	–	659,465
Share issuance costs	–	(76,099)	39,919	–	–	(36,180)
Equity component of convertible debentures	–	–	10,417	–	–	10,417
Foreign currency translation adjustment	–	–	–	163,248	–	163,248
Net loss for the period	–	–	–	–	(145,193)	(145,193)
Balance, September 30, 2020	220,175,226	20,452,368	1,116,289	1,343,744	(16,312,396)	6,600,005

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

Millennium Silver Corp.
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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(unaudited)

	Nine months ended September 30,	
	2021	2020
	\$	\$
Operating activities		
Net loss for the period	(279,120)	(145,193)
Items not affecting cash:		
Accretion of discount on convertible debentures	6,036	6,361
Other expense	–	5
Share-based compensation	153,847	–
Changes in non-cash working capital items:		
Amounts receivable	(442)	3,408
Prepaid expenses	11,552	–
Accounts payable and accrued liabilities	8,398	7,794
Due to related parties	14,530	(5,447)
Net cash used in operating activities	(85,199)	(133,072)
Investing activities		
Exploration and evaluation asset expenditures	(90,555)	(158,646)
Net cash used in investing activities	(90,555)	(158,646)
Financing activities		
Proceeds from convertible debentures	–	75,000
Proceeds from private placement	–	659,465
Repayment of convertible debenture	(50,000)	(115,000)
Share issuance costs	–	(36,180)
Net cash provided by financing activities	(50,000)	583,285
Effects of foreign exchange rate changes on cash	5,482	1,151
Change in cash	(220,272)	292,718
Cash, beginning of period	232,048	4,368
Cash, end of period	11,776	297,086
Non-cash investing and financing activities:		
Shares issued for acquisition of exploration and evaluation assets	16,600	–
Transfer of prepaid acquisition costs to exploration and evaluation assets	6,240	–

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

Millennium Silver Corp.
(formerly International Millennium Mining Corp.)
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

1. Nature of Operations

Millennium Silver Corp. (formerly International Millennium Mining Corp.) (the "Company") is incorporated under the Business Corporations Act of British Columbia. The Company changed its name to Millennium Silver Corp. on July 12, 2021. The Company is listed on the TSX-Venture Exchange and its primary business is the acquisition, exploration, and evaluation of mineral properties in Canada (Newfoundland and Labrador) and Nevada, USA. The address of the Company's registered office and its principal place of business is 20 Sixth Street, New Westminster, British Columbia, Canada, V3L 2Y8.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. The impact on the Company has not been significant, but management continues to monitor the situation.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2021, the Company has an accumulated deficit of \$16,723,282. During the period ended September 30, 2021, the Company has generated no revenues, incurred a net loss of \$279,120, and negative cash flow of \$85,199 for operating activities. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that it has sufficient working capital to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing may be required but will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt upon the Company's ability to continue as a going concern. These condensed consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Statement of Compliance

These condensed consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards 34, "*Interim Financial Reporting*", and based on the principles of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee. These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2020, which include the Company's significant accounting policies, and have been prepared in accordance with the same methods of application.

These condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. Significant Accounting Policies

(a) Principles of consolidation

These condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, International Millennium Mining Inc. ("IMMI"), a Nevada corporation. Control is achieved when the Company has the power to govern the financial and operating policies of an investee, so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the group until the date on which control ceases. All inter-company transactions and accounts have been eliminated on consolidation.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

4. Significant Accounting Policies (continued)

(b) Significant accounting estimates and judgments

The preparation of these condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the consolidated statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical judgments

- The analysis of the going concern assumption, which requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period; and
- The determination of whether it is likely that future economic benefits from exploration and evaluation expenditures are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Estimates

- Recoverability of exploration and evaluation assets;
- Fair value of convertible debentures;
- Fair value of share-based payments; and
- Unrecognized deferred income tax assets.

4. Accounting Standards Issued But Not Yet Effective

Certain pronouncements have been issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2021 or later years. Management does not believe the adoption of these future standards will have a material impact on the Company's consolidated financial statements.

5. Exploration and Evaluation Assets

(a) Nevada Properties

(i) Silver Peak (Nivloc) Property, Esmeralda County

In September 2007, the Company established its interest in the Silver Peak (Nivloc) Property by acquiring 9 unpatented claims for US\$75,000 and 110,000 shares.

During fiscal 2011, an additional 95 contiguous claims (the "Additional Claims") were staked and recorded.

In February 2011, and amended May 22, 2012, the Company executed an Option and Joint Venture Agreement, with Silver Reserve Corp. ("SRC"), pursuant to which the Company acquired the right to purchase up to 85% interest in 18 unpatented lode claims (the "NL Extension Claims") contiguous with and surrounding the Company's existing Nivloc Mine property, Esmeralda County.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

5. Exploration and Evaluation Assets (continued)

(a) Nevada Properties (continued)

(ii) Silver Peak (Nivloc) Property, Esmeralda County (continued)

The Company acquired the interest in the NL Extension Claims by making cash payments of US\$350,000 and by issuing 1,925,000 shares over a period of five years as follows:

	Cash (US\$)	Common shares
Upon execution of Letter of Intent (paid)	5,000	–
Upon execution of Agreement (paid 2011)	5,000	–
Upon receipt of TSX Venture approval (paid and issued)	15,000	275,000
On or before September 15, 2011 (paid and issued)	35,000	300,000
On or before September 15, 2012 (paid and issued)	50,000	300,000
On or before September 15, 2013 (paid and issued)	70,000	350,000
On or before September 15, 2014 (paid and issued)	70,000	350,000
On or before September 15, 2015 (paid and issued)	100,000	350,000
	350,000	1,925,000

On October 14, 2015, the Company made the final payment of US\$100,000 to SRC, thereby acquiring an 85% undivided interest in the Silver Peak (Nivloc) Property. The Company registered this 85% undivided interest in the Silver Peak (Nivloc) Property with the US Bureau of Land Management (the "US BLM") and Esmeralda County, Nevada.

Following the Company's completion of a positive feasibility study, the Silver Peak (Nivloc) Property was developed on a joint venture basis where SRC had the right to contribute to the development of the 122 claim Silver Peak (Nivloc) Property and retained a 15% interest therein.

On January 7, 2016, the Company executed a Sale and Purchase Agreement, including an Option to Purchase Royalty Interest (the "Agreement"), to acquire SRC's remaining interests in the Silver Peak (Nivloc) Property (the "Transaction"). These interests include the following:

- (i) All rights, titles and interests owned by SRC in and to the remaining undivided 15% interest in and to the NL Extension Claims, and any and all licenses and permits pertaining thereto; and
- (ii) The sole and exclusive right and option to acquire a 15% interest in the 104 claims held by the Company (the "IMMC Claims").

Pursuant to the Agreement, the Company paid SRC US\$120,000 for the Silver Peak (Nivloc) Property interests detailed above (the "Silver Peak (Nivloc) Property Interests"), and SRC retained a royalty interest of 2% of Net Smelter Returns ("NSR") from the NL Claims and the IMMC Claims (the "Royalty Interest").

On December 22, 2016, the Company paid SRC US\$120,000 to acquire the 2% Royalty Interest, funded by Capital Mineral Resource Investments Limited ("CMRI"). As a condition of the funding the Company received from CMRI to purchase the Royalty Interest, 1% NSR of the Silver Peak (Nivloc) Property (the "1% Royalty Interest") was transferred to CMRI. CMRI granted to the Company an exclusive option to purchase 100% of CMRI's right, title and interest in the 1% Royalty Interest for \$2,000,000 for a period of ten years from December 24, 2016 (or any portion or portions thereof on a pro rata purchase price) at any time and from time to time on or before December 24, 2026.

In April 2017, the Company staked 42 lode claims, contiguous to the Silver Peak (Nivloc) Property, and acquired 8 unpatented lode claims contiguous thereto, all located in Esmeralda County, Nevada. The total cost was US\$62,700 and the issuance of 100,000 common shares of the Company.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(unaudited)

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

5. Exploration and Evaluation Assets (continued)

(a) Nevada Properties (continued)

(i) Silver Peak (Nivloc) Property, Esmeralda County (continued)

In October 2017 (and amended on March 16, 2018), the Company executed Option Agreements with Silver Saddle Resources LLC (“Silver Saddle”) and Consent to Assignment Agreements between the Company, Silver Saddle and two underlying property owners (the “Silver Saddle Agreements”), to acquire 25 unpatented lode mineral claims located contiguous with the Company’s Silver Peak (Nivloc) Property (the “Silver Saddle Claims”) in Esmeralda County, Nevada.

Pursuant to the Silver Saddle Agreements, the Company acquired a 100% interest in the Silver Saddle Claims, subject to various net smelter return (“NSR”) royalties by making cash payments of US\$115,000 (paid) and by issuing 1,000,000 shares (issued).

The NSR royalties vary from 1.5% on eight of the claims, of which 1.25% NSR can be purchased for US\$190,000; 2.5% on seven of the claims, of which 1.25% NSR can be purchased for US\$110,000; and, 1.5% on ten of the claims, of which 0.5% NSR can be purchased for US\$500,000.

In November 2017, the Company staked an additional 14 claims contiguous to the Company’s Silver Peak (Nivloc) Property claims for US\$11,484.

The Company’s total land holdings in the Silver Peak (Nivloc) Property area include 211 claims covering in excess of 4,000 acres (1,600 hectares).

(ii) Simon Property

Pursuant to an Option Agreement executed in December 2004, and a Settlement Agreement, with the Estate of Nadean Bedford, announced in November 2010, the Company acquired, and holds in good standing, a 100% interest in the Simon Property, consisting of 20 patented and 3 unpatented contiguous claims. The Company also acquired by staking, and holds, a further 34 contiguous unpatented mining claims, which are in good standing. The monthly payments are US\$2,000. There are no underlying royalties.

Pursuant to the terms of a non-binding Letter of Intent dated May 7, 2021, and a subsequent Option Agreement made effective July 7, 2021, between the Company and Altair Resources Inc. (“Altair”), a British Columbia company that is publicly traded on the TSX Venture Exchange (the “TSX-V”), subject to TSX-V approval, the Company has granted Altair and option to earn 65% interest in the Simon Property in exchange for reimbursement of the monthly option payments of US\$2,000 to the original property owner and the following:

	Exploration Expenditures \$	Common shares
Upon receipt of TSX Venture approval (issued)	–	500,000
On or before May 7, 2022	85,000	100,000
On or before May 7, 2023	115,000 ⁽¹⁾	200,000
On or before May 7, 2024	200,000 ⁽²⁾	300,000
On or before May 7, 2025	400,000 ⁽²⁾	400,000
On or before May 7, 2026	500,000 ⁽²⁾	500,000
On or before May 7, 2027	900,000 ⁽¹⁾	500,000
	2,200,000	2,500,000

⁽¹⁾ of which at least 60% to be spent on core drilling.

⁽²⁾ of which at least 75% to be spent on core drilling.

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(Expressed in Canadian Dollars)
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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

5. Exploration and Evaluation Assets (continued)

(b) Notre Dame Bay Property

On February 23, 2021, the Company entered into an option agreement whereby it can earn the sole and exclusive right and option to purchase 100% right, title, and interest in 96 mineral claims situated in the province of Newfoundland and Labrador, for \$6,240 (paid) and the issuance of 300,000 common shares of the Company (issued – refer to Note 8) within 10 business days of TSX-V approval (refer to Note 12). The optionor is entitled to receive a 0.25% NSR Royalty, which can be purchased by the Company for \$50,000.

(c) Pynns Brook Property

On July 22, 2021, and as amended on July 27, 2021, the Company entered into an option agreement whereby it can earn the right and option to purchase 100% interest in 135 mineral claims situated in five claim groups in Deer Lake, Newfoundland and Labrador for \$6,825 (paid) and the issuance of 1,000,000 common shares of the Company, of which 500,000 common shares are due within 10 business days of TSX-V approval (issued – refer to Note 8) and 500,000 common shares are issuable by January 22, 2022. The claims are subject to a 1.5% NSR Royalty, of which 0.5% of the NSR Royalty can be purchased by the Company for \$500,000.

(d) Schedule of Exploration and Evaluation Assets

	Simon Property \$	Silver Peak (Nivloc) Property \$	Notre Dame Bay Property \$	Pynns Brook Property \$	Total \$
Acquisition costs:					
Balance, December 31, 2020	–	1,447,739	–	–	1,447,739
Option payments – cash	22,523	–	6,240	6,825	14,972
Option payments - shares	–	–	6,000	10,600	16,600
Foreign exchange translation	–	1,024	–	–	1,024
Balance, September 30, 2021	22,523	1,448,763	12,240	17,425	1,500,951
Deferred exploration expenditures:					
Balance, December 31, 2020	–	4,657,269	–	–	4,657,269
Supplies and miscellaneous	–	61,073	–	134	61,207
Foreign exchange translation	–	(524)	–	–	(524)
Balance, September 30, 2021	–	4,717,818	–	134	4,717,952
	22,523	6,166,581	12,240	17,559	6,218,903

6. Convertible Debentures

(a) On June 12, 2020, the Company issued a convertible debenture to a non-related party for proceeds of \$20,000. Under the terms of the debenture, the amount owing is unsecured, bears interest at 12% per annum, and is due on June 12, 2022. The interest is payable semi-annually on the last day of December and June each year. The holder may choose whether to accept a cash payment for the interest payable or whether it should be accrued to the holder's account, in which the accrued interest would become convertible at a conversion price equal to the market price at the time of such conversion.

The debenture is convertible at \$0.05 per conversion unit for the first year and at \$0.10 per conversion unit for the balance of the term. Each conversion unit is to consist of one common share and one share purchase warrant, with each share purchase warrant being exercisable at \$0.05 per share for the first year of the term of the debenture or \$0.10 per share for the balance of the term of the debenture.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

6. Convertible Debentures (continued)

- (a) The convertible debenture was recorded using the residual method, where the convertible debenture was bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The fair value of the liability component, at the time of issuance of the debenture, was determined to be \$17,222 using a net present value calculation assuming a discount rate of 20% per annum. As a result, the value of the equity component of \$2,778 was recorded in equity reserves and an equivalent discount on the convertible debenture which will be accreted to the face value of \$20,000 over the term of the debenture.

During the nine months ended September 30, 2021, the Company recognized accretion expense of \$1,052 (2020 – \$427), which increased the carrying value to \$19,058 (December 31, 2020 - \$18,006).

- (b) On June 12, 2020, the Company issued a convertible debenture to a director of the Company for proceeds of \$50,000. Under the terms of the debenture, the amount owing is unsecured, bears interest at 12% per annum, and is due on June 12, 2022. The interest is payable semi-annually on the last day of December and June each year. The holder may choose whether to accept a cash payment for the interest payable or whether it should be accrued to the holder's account, in which the accrued interest would become convertible at a conversion price equal to the market price at the time of such conversion.

The debenture is convertible at \$0.05 per conversion unit for the first year and at \$0.10 per conversion unit for the balance of the term. Each conversion unit is to consist of one common share and one share purchase warrant, with each share purchase warrant being exercisable at \$0.05 per share for the first year of the term of the debenture or \$0.10 per share for the balance of the term of the debenture.

The convertible debenture was recorded using the residual method, where the convertible debenture was bifurcated into a debt component and equity component comprised of the convertible feature embedded within the liability. The value of the liability component, at the time of issuance of the debenture, was determined to be \$43,056 using a net present value calculation assuming a discount rate of 20% per annum. As a result, the value of the equity component of \$6,945 was recorded in equity reserves and an equivalent discount on the convertible debenture which will be accreted to the face value of \$50,000 over the term of the debenture. During the six months ended June 30, 2021, the Company repaid the \$50,000 convertible debenture.

During the nine months ended September 30, 2021, the Company recognized accretion expense of \$4,984 (2020 – \$160).

7. Related Party Transactions

- (a) The Company shares office services with Cabo Drilling Corp. ("Cabo"), a company with a common director and officers. As at September 30, 2021, the Company owed \$11,530 (December 31, 2020 – \$17,794) to Cabo for administrative fees. During the nine months ended September 30, 2021, the Company incurred administration fees of \$27,000 (2020 – \$27,000) to Cabo.
- (b) As at September 30, 2021, the Company owes \$29,250 (December 31, 2020 - \$26,250) to directors and former directors of the Company, which is included in due to related parties. The amounts owing are unsecured, non-interest bearing, and due on demand. During the nine months ended September 30, 2021, the Company incurred directors' fees of \$18,000 (2020 - \$20,250) to directors of the Company.
- (c) During the nine months ended September 30, 2021, the Company incurred consulting fees of \$16,500 (2020 - \$5,500) to a company controlled by the President of the Company.
- (d) As at September 30, 2021, the Company owes \$20,850 (December 31, 2020 - \$nil) to a firm where the Chief Financial Officer of the Company is a partner. The amount owing is included in accounts payable and accrued liabilities. During the nine months ended September 30, 2021, the Company incurred accounting fees of \$14,000 (2020 – \$9,800) to the CFO's firm.

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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

7. Related Party Transactions (continued)

- (e) During the nine months ended September 30, 2021, the Company granted 8,140,000 (2020 – nil) stock options with a fair value of \$153,847 (2020 – \$nil) to key management personnel, which has been recorded as share-based compensation expense with a corresponding entry to equity reserves.

8. Share Capital

(i) Authorized

Unlimited common shares without par value

- (a) On July 13, 2021, the Company issued 300,000 common shares with a fair value of \$6,000 as part of the acquisition cost of the Notre Dame Bay Property. Refer to Note 5(b).

- (b) On August 16, 2021, the Company issued 530,000 common shares with a fair value of \$10,600 as part of the acquisition cost of the Pynns Brook Property, including 30,000 common shares with a fair value of \$600 as a finders fee. Refer to Note 5(c).

(ii) Stock options

The Company has a stock option plan for its directors, employees, and consultants to acquire common shares at a price to be determined by the fair market value of the shares at the date of the grant. The Company may issue up to 10% of the outstanding common shares under the plan. Options granted under the Plan will have a maximum term of five years. Options granted to persons providing investor relations activities will become vested with the right to exercise at one-quarter of the options upon conclusion of every three months subsequent to the date of the grant of the options.

	Number of options	Weighted average exercise price \$
Outstanding and exercisable, December 31, 2020	10,500,000	0.05
Granted	8,140,000	0.05
Outstanding and exercisable, September 30, 2021	18,640,000	0.05

Additional information regarding stock options as at September 30, 2021 is as follows:

Range of exercise prices \$	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.05	18,640,000	3.0	0.05

The fair value of stock options granted is determined using the Black-Scholes option pricing model. During the nine months ended September 30, 2021, the Company recognized share-based compensation expense of \$153,847 (2020 - \$nil). The weighted average fair value of each option granted during the nine months ended September 30, 2021, was \$0.02 (2020 - \$nil) per option.

Weighted average assumptions used in calculating the fair value of share-based compensation expense, assuming no expected dividends or forfeiture rates, are as follows:

	2021	2020
Risk-free interest rate	0.97%	–
Expected volatility	179%	–
Expected life (years)	4.9	–

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8. Share Capital (continued)

(iii) Share Purchase Warrants

A summary of the changes in share purchase warrants is presented below:

	Number of warrants	Weighted average exercise price \$
Outstanding, December 31, 2020	72,462,650	0.05
Expired	(37,077,400)	0.05
Outstanding, September 30, 2021	35,385,250	0.05

As at September 30, 2021, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
35,385,250	0.05	September 11, 2023

9. Financial Instruments and Risk Management

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk, and currency risk.

(a) Fair values

The fair values of other financial instruments, which include cash, accounts payable and accrued liabilities, convertible debentures, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Interest rate risk

The Company is not exposed to interest rate risk because its loans payable bear interest at a fixed interest rate. Fluctuations in market rates do not have a significant impact on the Company's operations.

(d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at September 30, 2021, the Company has a working capital deficit of \$62,234 (December 31, 2020 – working capital surplus of \$198,316). The Company manages this risk by evaluating current and expected liquidity requirements and seeking financing arrangements as necessary.

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

9. Financial Instruments and Risk Management (continued)

(e) Currency risk

The functional currency of the Company is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiary is the United States ("US") dollar. Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company operates in Canada and the US and a portion of the Company's expenditures are incurred in US dollars. A significant change in currency exchange rates between the Canadian and US currencies could have an effect on the Company's results of operations, financial position or cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at September 30, 2021, the Company has cash on deposit totaling US\$9,256 (December 31, 2020 - US\$11,581). Cash in United States dollars have been translated to Canadian dollars at a rate of Cdn\$1.2741 (December 31, 2020 – Cdn\$1.2732 per US dollar). The Company has limited US dollar financial assets and liabilities and any fluctuations in the US dollar would have an insignificant impact on earnings.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties, if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management 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 is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2020.

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11. Segmented Information

The Company operates in one business segment, being the acquisition and exploration and evaluation of mineral assets. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for the periods ended September 30, 2021 and December 31, 2020.

The Company's non-current assets are segmented geographically as follows:

	September 30, 2021		
	Canada	United States	Total
	\$	\$	\$
Exploration and evaluation assets	29,799	6,189,104	6,218,903

	December 31, 2020		
	Canada	United States	Total
	\$	\$	\$
Exploration and evaluation assets	–	6,105,008	6,105,008

12. Subsequent Event

- (a) On November 12, 2021, the Company granted 300,000 stock options to the Chief Financial Officer of the Company, which vests immediately and is exercisable at \$0.05 per share until June 1, 2026.