CYPRESS DEVELOPMENT CORP.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Cypress Development Corp.

Opinion

We have audited the accompanying consolidated financial statements of Cypress Development 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, cash flows, and changes in equity 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 Stephen Hawkshaw.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

May 2, 2022

CYPRESS DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT DECEMBER 31

	2021	2020
ASSETS		
Current		
Cash and cash equivalents (Note 14)	$ 23,137,155	$ 2,101,554
Marketable securities (Note 4)	24,000	18,000
Receivables and prepaid expenses (Note 5)	223,131	40,356
Due from related parties (Note 12)	132,370	18,374
	23,516,656	2,178,284
Reclamation bonds (Note 9)	41,774	41,774
Equipment (Note 6)	2,978	-
Intangible asset (Note 7)	1,192,000	-
Right-of-use asset (Note 8)	1,011,773	-
Exploration and evaluation assets (Note 9)	11,508,837	4,644,707
	$ 37,274,018	$ 6,864,765
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 12)	$ 356,487	$ 127,196
Lease liability, current (Note 8)	206,206	-
	562,693	127,196
Lease liability, long-term (Note 8)	811,257	-
	1,373,950	127,196
Equity		
Capital stock (Note 10)	67,400,524	37,194,666
Subscriptions received in advance (Note 10)	-	16,500
Reserves (Note 11)	6,250,057	4,588,544
Deficit	(37,750,513)	(35,062,141)
	35,900,068	6,737,569
	$ 37,274,018	$ 6,864,765

Subsequent events (Note 18)

Approved and authorized by the Board on May 2, 2022

"Bryan Disher" Director — *"Cassandra Joseph"* Director
Bryan Disher — Cassandra Joseph

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

CYPRESS DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31

	2021	2020
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	$ 171,554	$ 56,916
Administrative	44,039	39,545
Consulting fees (Note 12)	463,840	222,898
Depreciation (Note 6)	526	-
Directors' fees	336,678	126,000
Finance costs (Note 8)	12,916	-
Legal	195,410	288,534
Office, telephone and miscellaneous	87,469	55,779
Recruitment	43,800	-
Rent	33,390	25,924
Salaries and wages (Note 12)	316,576	-
Share-based compensation (Note 11, 12)	1,170,146	84,577
Shareholder communications	395,816	170,732
Transfer agent and filing fees	93,742	31,420
Travel	14,526	6,247
	(3,380,428)	(1,108,572)
Foreign exchange gain	640,544	-
Interest income	19,663	3,221
Legal settlement (Note 15)	-	281,740
Unrealized gain on marketable securities (Note 4)	6,000	9,000
Loss on shares issued for debt and services (Note 10)	-	(67,828)
Recovery on exploration and evaluation assets (Note 9)	25,849	19,498
Loss and comprehensive loss for the year	$ (2,688,372)	$ (862,941)
Basic and diluted loss per common share	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	119,884,305	92,864,652

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

CYPRESS DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEARS ENDED DECEMBER 31

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (2,688,372)	$ (862,941)
Items not affecting cash:		
Depreciation	526	-
Finance costs	12,916	-
Share-based compensation	1,170,146	84,577
Recovery on exploration and evaluation asset	(25,849)	(19,498)
Unrealized gain on marketable securities	(6,000)	(9,000)
Loss on shares issued for debt and services	-	67,828
Changes in non-cash working capital items:		
(Increase) decrease in receivables and prepaid expenses	(182,775)	51,567
Increase in due from related parties	(113,996)	(18,374)
Increase in accounts payable and accrued liabilities	271,687	70,029
Decrease in due to related party	-	(3,304)
Net cash flows used in operating activities	(1,561,717)	(639,116)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(3,504)	-
Acquisition of subsidiary	(350,000)	-
Option payments received	25,849	19,498
Expenditures on exploration and evaluation assets	(5,707,551)	(967,626)
Net cash flows used in investing activities	(6,035,206)	(948,128)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	30,164,898	2,153,661
Subscriptions received in advance	-	16,500
Share issuance costs	(1,503,621)	-
Lease payments	(28,753)	-
Net cash flows provided by financing activities	28,632,524	2,170,161
Change in cash and cash equivalents during the year	21,035,601	582,917
Cash and cash equivalents, beginning of year	2,101,554	1,518,637
Cash and cash equivalents, end of year	$ 23,137,155	$ 2,101,554

Supplemental disclosures with respect to cash flows (Note 14)

CYPRESS DEVELOPMENT CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

	Capital Stock					
	Number	**Amount**	**Reserves**	**Subscriptions received in advance**	**Deficit**	**Total**
Balance, as at December 31, 2019	90,077,001	$34,706,711	$4,690,274	$ -	$ (34,199,200)	$ 5,197,785
Shares issued for options exercised	1,495,000	408,856	(178,756)		-	230,100
Shares issued for warrants exercised	6,892,162	1,931,112	(7,551)	-	-	1,923,561
Shares issued for services	308,307	147,987	-	-	-	147,987
Subscriptions received in advance	-	-	-	16,500	-	16,500
Share-based compensation	-	-	84,577	-	-	84,577
Loss for the year	-	-	-	-	(862,941)	(862,941)
Balance, as at December 31, 2020	98,772,470	37,194,666	4,588,544	16,500	(35,062,141)	6,737,569
Shares issued - private placement	15,640,000	18,768,000	782,000	-	-	19,550,000
Share issuance costs – cash	-	(1,503,621)	-	-	-	(1,503,621)
Share issuance costs - finders' warrants	-	(649,580)	649,580	-	-	-
Shares issued for options exercised	2,569,000	684,136	(320,516)	-	-	363,620
Shares issued for warrants exercised	14,283,115	10,887,475	(619,697)	(16,500)	-	10,251,278
Acquisition of DLE license and pilot plant equipment	1,000,000	970,000	-	-	-	970,000
Shares issued to acquire water rights	546,909	973,498	-	-	-	973,498
Shares issued to acquire exploration and evaluation assets	49,000	75,950	-	-	-	75,950
Share-based compensation	-	-	1,170,146	-	-	1,170,146
Loss for the year	-	-	-	-	(2,688,372)	(2,688 372)
Balance, as at December 31, 2021	132,860,494	$67,400,524	$6,250,057	$ -	$ (37,750,513)	$35,900,068

1. NATURE AND CONTINUANCE OF OPERATIONS

Cypress Development Corp. was incorporated pursuant to the *Business Corporations Act* (Saskatchewan) on August 23, 1991. It is a publicly traded company listed on the Toronto Stock Exchange ("TSX.V") under the symbol "CYP" and on the OTCQB market in the United States under the symbol "CYDVF". The Company together with its subsidiaries (collectively referred to as the "Company") is principally engaged in the acquisition, exploration and evaluation and development of resource properties located in the United States.

The head office and records office of the Company are located at Suite #1610 - 777 Dunsmuir Street, Vancouver, British Columbia, Canada. The registered office is located at Suite #1710 - 1177 West Hastings Street, Vancouver, British Columbia, Canada.

The Company has not yet determined whether its properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, and the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and bring them to future profitable production. The Company does not generate cash flows from operations to fund its activities and therefore relies principally on the issuance of securities for financing. The Company's future capital requirements will depend on many factors, including the Company's ability to execute its business plan.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Although the Company has incurred losses from inception, the Company has working capital of $22,953,963 at December 31, 2021. Further, subsequent to the year ended December 31, 2021, the Company raised an additional $18,138,720 through a bought deal offering (Note 18). Management has assessed that the Company's cash and working capital is sufficient for the Company to continue as a going concern beyond one year.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of its effects on the Company's business or ability to raise funds.

2. BASIS OF PREPARATION

Statement of Compliance with International Financial Reporting Standards

These consolidated financial statements (the "financial statements") have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value.

2. BASIS OF PREPARATION (cont'd…)

Critical Accounting Estimates and Judgments

The preparation of these 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 financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

i) *Carrying value of exploration and evaluation assets.* The initial carrying value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses whether there is a potential impairment of these assets, which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.

ii) *Valuation of shares issued in non-cash transactions*. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, value is based on the fair value of the non-cash consideration given up which, in the case of the Company's common shares is the market price of those shares at the time of transaction.

iii) *Recognition of deferred tax assets*. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

iv) *Share-based compensation*. The fair value of share-based compensation is determined using a Black-Scholes option pricing model. Such option pricing models require the input of subjective assumptions.

v) *Remediation costs.* The Company does not anticipate any remediation after the Company's pilot plant operations, based in Amargosa Valley, Nevada ("Pilot Plant") are completed as the Company is regularly removing any waste materials to designated landfills. As the Pilot Plant is comprised of many different components, the disassembly of it is relatively simple.

vi) *Business combination recorded as an asset acquisition.* Estimates are made as to the fair value of assets and liabilities acquired in a business combination. The determination of these fair values involves a variety of assumptions. The Company measures all the assets acquired and liabilities assumed at their estimated acquisition date fair values. The excess of the aggregate of the consideration paid to obtain control over the net identifiable assets acquired and the liabilities assumed is recorded as an increase to the value of identifiable intangible assets acquired.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly controlled subsidiaries.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Significant inter-company transactions and balances have been eliminated on consolidation. During fiscal 2021, the Company acquired a new subsidiary 2845028 Ontario Ltd. on July 5, 2021 which was incorporated on June 3, 2021 (Note 7).

Name of Subsidiary	Place of Incorporation	Percentage Ownership December 31, 2021	Percentage ownership December 31, 2020	Principal Activity	Functional Currency
Cypress Holdings (Nevada), Ltd.	Nevada, USA	100%	100%	US Exploration	CAD
2845028 Ontario Ltd.	Ontario, Canada	100%	0%	Holding company	CAD

Foreign currency translation

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at rates approximating those in effect at the time of the transactions. Monetary items are translated at the exchange rate in effect at the statement of financial position date and non-monetary items are translated at historical exchange rates. Translation gains and losses are reflected in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, term deposits, and short-term liquid investments with the original term to maturity of three months or less, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Exploration and evaluation assets

Costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property until the determination of technical feasibility and commercial viability. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets after assessing the property for impairment by comparing the carrying amount to its recoverable amount and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, an impairment is recorded on the property.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment

Property and equipment is recorded at cost less accumulated amortization and impairment losses at the following amortization rates:

Computer hardware	30%	declining balance

Equipment that is withdrawn from use or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to items of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Intangible assets

Intangible assets with finite lives are measured at cost less accumulated amortization and impairment losses. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Useful lives, residual values, and amortization methods for intangible assets with finite useful lives are reviewed at least annually.

The Company amortizes its finite life intangible assets over their estimated useful lives which are considered to be the lesser of the term of the underlying license and the mine life, which is estimated to be 40 years. Amortization expense during the exploration and evaluation stage is recorded to exploration and evaluation assets.

Capital stock

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

Proceeds from the issuance of equity units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. 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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to Directors, Officers, employees and consultants.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in reserves is recorded when stock options are expensed. When stock options are exercised, capital stock is credited for the consideration paid plus the related portion of share-based compensation previously recorded in reserves.

Share-based payments issued to non-employees are measured at the fair value of the goods or services received, except in situations where the fair value of some or all of the goods or services received cannot be specifically identified, in which case they are measured at the fair value of the share-based payment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the consolidated statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted loss per share is determined by dividing the profit or loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Company for the years presented, except if their inclusion is anti-dilutive.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The determination of the classification of financial assets is made at initial recognition. Equity instruments that are held for trading are classified as FVTPL; for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

The Company's accounting policy for each of the categories is as follows:

Financial assets at FVTPL: Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of (loss) income. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets at FVTOCI: Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income (loss) in which they arise.

Financial assets at amortized cost: A financial asset is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of contractual cash flows, and the asset's contractual cash flows are comprised solely of payments of principal and interest. They are classified as current assets or non-current assets based on their maturity date and are initially recognized at fair value and subsequently carried at amortized cost less any impairment.

Impairment of financial assets at amortized cost: 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 impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

The following table shows the classification of the Company's financial assets and liabilities:

Financial instruments	Classification
Cash and cash equivalents	FVTPL
Receivables	Amortized cost
Due from related parties	Amortized cost
Marketable securities (excluding warrants)	FVTPL
Accounts payable and accrued liabilities	Amortized cost

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value (Note 16):

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 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 for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. These amounts are capitalized to exploration and evaluation assets.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

The Company holds 600,000 (2020 - 600,000) common shares of Pasinex Resources Limited (Note 9 – *Gunman Project, Nevada, USA*) that have been designated as fair value through profit or loss:

	2021	2020
Opening balance	$ 18,000	$ 9,000
Unrealized gain	6,000	9,000
Total	$ 24,000	$ 18,000

During the year ended December 31, 2021, the Company recorded an unrealized gain on marketable securities of $6,000 (2020 - $9,000).

5. RECEIVABLES AND PREPAID EXPENSES

The Company's receivables and prepaid expenses arise from two main sources, goods and services tax ("GST") and prepaid expenses. These are broken down as follows:

	2021	2020
GST receivable	$ 24,165	$ 9,693
Prepayments - insurance	19,310	2,559
Prepayments - other	44,087	28,104
Prepayments - shareholder communications	135,569	-
Total	$ 223,131	$ 40,356

(Expressed in Canadian Dollars)

6. EQUIPMENT

		Computer hardware
Cost		
Balance, December 31, 2019 and 2020	$	-
Additions		3,504
Balance, December 31, 2021	$	3,504
Accumulated amortization		
Balance, December 31, 2019 and 2020	$	-
Additions		526
Balance, December 31, 2021	$	526
Carrying amounts		
As at December 31, 2020	$	-
As at December 31, 2021	$	2,978

(Expressed in Canadian Dollars)

7. ACQUISITION OF DIRECT LITHIUM EXTRACTION LICENSE AND PILOT PLANT EQUIPMENT

The Company entered into a Share Purchase and License Agreement on July 5, 2021 (the "SPL Agreement") for the acquisition of the equipment for its pilot plant and a license to use the Lionex direct lithium extraction ("DLE") process to recover lithium from brines at the Company's Clayton Valley, Nevada project. Under the terms of the SPL Agreement, the Company acquired 100% ownership of a private company, 2845028 Ontario Inc., which owns the pilot plant equipment ("Pilot Plant Equipment") and the DLE license, for $350,000 and 1,000,000 of the Company's common shares ("Consideration Shares"). The Company paid $350,000 to the vendors on receipt of the Pilot Plant Equipment and the Consideration Shares, following regulatory approval, were transferred into escrow.

The purchase price grants the Company full ownership of 2845028 Ontario Inc. with no further payment or royalty obligations for the use of the DLE process. The Company has twelve months following installation of the Pilot Plant Equipment to carry out performance tests to confirm the successful operation of the pilot plant and determine, in its absolute discretion, whether to release the Consideration Shares from escrow. In the event the Company determines not to release the Consideration Shares, 2845028 Ontario Inc. will revert to the sellers, the Consideration Shares will return to the Company and the $350,000 cash payment will be retained by the sellers.

The acquisition was treated as an asset acquisition, as 2845028 Ontario Inc. did not meet the definition of a business under the parameters of IFRS 3 *Business Combinations*.

Net assets of 2845028 Ontario Inc. acquired:		**July 5, 2021**
Intangible asset (DLE License)	$	1,192,000
Exploration and evaluation assets (Pilot Plant Equipment)		128,000
Net assets acquired		**1,320,000**
Consideration paid on asset acquisition:		
Cash consideration	$	350,000
Consideration Shares (1,000,000 common shares at $0.97 per share)		970,000
Total consideration paid	**$**	**1,320,000**

The Company commenced using the DLE process at the Pilot Plant at the end of 2021 and will begin recording amortization in fiscal 2022.

(Expressed in Canadian Dollars)

8. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Company's right-of-use asset is a refining facility lease located in the Amargosa Valley of Nye County, Nevada, USA.

On December 16, 2021, the Company entered into a lease agreement, replacing the initial lease agreement previously entered into on February 7, 2021. Pursuant to the terms of the agreement, the Company is obligated to make payments of USD $22,500 on the first day of each month. The Company has already paid a USD $25,000 security deposit under the previous lease agreement. The initial term of the lease is for forty eight (48) months, commencing December 1, 2021 to November 30, 2025. The agreement may be terminated with ninety (90) days' notice and extended upon written agreement by all parties. The site is to be used solely for the operation of the lithium extraction demo plant facility unless written consent is received.

During the year ended December 31, 2021, the Company incurred $188,717 on short term and low value leases that were not reflected as right-of-use assets and lease liabilities. This amount was capitalized to exploration and evaluation assets (see note 9).

<u>Lease liability</u>

A reconciliation of the carrying amount of the lease liability recognized on inception of the lease as follows:

December 31, 2019 and 2020	$ -
Additions	1,033,300
Lease payments	(28,753)
Lease interest (finance costs)	12,916
Balance December 31, 2021	$ 1,017,463

	2021	2020
Current portion of lease liabilities	$ 206,206	$ -
Non-current portion of lease liabilities	$ 811,257	$ -

As at December 31, 2021, the total undiscounted amount of the estimated future cash flows to settle the Company's lease liabilities over the remaining lease terms is as follows:

2022	$ 345,030
2023	345,030
2024	345,030
2025	316,278
Total	$1,351,368

<u>Right -of-use asset</u>

December 31, 2019 and 2020	$ -
Additions	1,033,300
Accumulated depreciation	(21,527)
Balance December 31, 2021	$ 1,011,773
Carrying amounts	
December 31, 2020	$ -
December 31, 2021	$ 1,011,773

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS

2021	Glory Lithium Clayton Valley Project	Clayton Valley Pilot Plant	Goat Claims	Dean Clayton Valley Claims	Gunman Project White Pine Claims	Nevada, USA Total
Acquisition costs:						
Balance as at December 31, 2020	$ 34,896	$ -	$ -	$ 403,196	$ -	$ 438,092
Additions	157,958	-	75,950	-	-	233,908
Option payments received	-	-	-	-	(25,849)	(25,849)
Recovery of costs	-	-	-	-	25,849	25,849
	192,854	-	75,950	403,196	-	672,000
Exploration and evaluation costs:						
Incurred during the year:						
Accommodation/food	19,096	-	-	-	-	19,096
Assaying/sampling	23,280	-	-	-	-	23,280
Consulting	970,745	-	-	4,945	-	975,690
Demobilization/mobilization	19,850	-	-	-	-	19,850
Dues/fees/permits	171,487	-	-	37,653	-	209,140
Environmental and other surveys	4,493	-	-	-	-	4,493
Equipment rentals/storage	13,595	-	-	-	-	13,595
Fuel/mileage	24,293	-	-	-	-	24,293
Office/miscellaneous/rent	36,428	-	-	141	-	36,569
Project management	11,022	-	-	-	-	11,022
Reports/maps	7,602	-	-	-	-	7,602
Staking/line-cutting	1,888	-	-	-	-	1,888
Supplies/maintenance	116,807	-	-	-	-	116,807
Transportation	50,703	-	-	167	-	50,870
Travel/airfare	131,972	-	-	-	-	131,972
Utilities	5,575	-	-	-	-	5,575
Water rights	3,664,943	-	-	-	-	3,664,943
Equipment	-	612,049	-	-	-	612,049
Repairs and maintenance	-	140,295	-	-	-	140,295
Equipment rentals	-	55,063	-	-	-	55,063
Lease	-	188,717	-	-	-	188,717
Other	-	156,521	-	-	-	156,521
Test work and analysis	-	139,365	-	-	-	139,365
Depreciation (Note 8)	-	21,527	-	-	-	21,527
	5,273,779	1,313,537	-	42,906	-	6,630,222
Balance, beginning of year	3,532,322	-	-	674,293	-	4,206,615
Balance, end of year	8,806,101	1,313,537	-	717,199	-	10,836,837
Total costs	$8,998,955	$1,313,537	$75,950	$1,120,395	$ -	$11,508,837

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

2020	Glory Lithium Clayton Valley Project	Dean Clayton Valley Claims	Gunman Project White Pine Claims	Nevada, USA Total
Acquisition costs:				
Balance as at December 31, 2019	$ 34,896	$ 403,196	$ -	$ 438,092
Option payments received	-	-	(19,498)	(19,498)
Recovery of costs	-	-	19,498	19,498
	34,896	403,196	-	438,092
Exploration and evaluation costs:				
Incurred during the year:				
Accommodation/food	30,495	-	-	30,495
Advances	8,384	-	-	8,384
Assaying/sampling	78,625	-	-	78,625
Consulting	563,060	-	-	563,060
Dues/fees/permits	104,425	-	-	104,425
Environmental survey	67,303	-	-	67,303
Equipment rentals/storage	21,619	-	-	21,619
Fuel/mileage	28,108	-	-	28,108
Office/miscellaneous	12,770	-	-	12,770
Office rent	11,718	-	-	11,718
Supplies/maintenance	11,993	-	-	11,993
Test work and analysis	45,553	-	-	45,553
Transportation	1,422	-	-	1,422
Travel/airfare	30,786	-	-	30,786
Wages/contract work	4,578	-	-	4,578
	1,020,839	-	-	1,020,839
Balance, beginning of year	2,511,483	674,293	-	3,185,776
Balance, end of year	3,532,322	674,293	-	4,206,615
Total costs	$3,567,218	$1,077,489	$ -	$4,644,707

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge; title to all of its properties is in good standing.

Claims

Glory Lithium Project, Clayton Valley, Nevada, USA

In 2016, the Company entered into an option agreement to acquire a 100% interest in the Glory Lithium Project in Clayton Valley, Nevada. To earn a 100% interest, the Company made US$162,500 in cash payments ($212,357) and issued 1,100,000 shares of the Company (issued at a fair value of $175,000). The optionor retains a 3% net smelter royalty ("NSR") with the Company having the right to purchase 2% NSR for US$1,000,000.

Gunman Project, White Pine Claims, Nevada, USA

The Company has a 100% interest in certain claims located in White Pine County, Nevada, known as the Gunman Project. The project is subject to a 2% NSR.

On December 5, 2017, the Company entered into an option agreement (the "Agreement") with Pasinex Resources Limited ("Pasinex"), whereby a previous optionee transferred its option to earn up to an 80% interest in the project to Pasinex.

In order to acquire an initial 51% interest in the project (the "First Option"), Pasinex issued 600,000 of its common shares to the Company, made cash payments of US$100,000 and had to incur exploration expenditures totaling US$1,850,000 over the three year term of the agreement. The Company also granted Pasinex a second option (the "Second Option") to acquire an additional 29% interest by issuing 200,000 common shares, making a cash payment of US$250,000 and incurring US$1,100,000 in exploration expenditures within one year of satisfying and exercising the First Option.

On September 11, 2019, and again on November 27, 2020, the Company and Pasinex amended the Agreement, whereby the First Option was extended to December 31, 2022, and the Second Option was extended to December 31, 2024. As a condition for extending the Agreement, Pasinex paid the Company US$15,000 ($19,498) and must incur exploration expenditures of US$200,000 by December 31, 2021. On December 13, 2021, a third amending agreement extended the due date of US$200,000 in exploration expenditures from December 31, 2021, to June 30, 2022. As consideration, the Company received US$20,000 ($25,849) and recognized a recovery on exploration and evaluation assets in the statement of profit or loss during the year ended December 31, 2021.

(Unaudited - Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Claims (cont'd…)

Gunman Project, White Pine Claims, Nevada, USA (cont'd…)

Pasinex now has the following cash payments and share issuances to make to the Company to earn the First and Second Options:

Due Date	Cash Payments	Share Issuances	Expenditure Commitments
To acquire 51%:			
By June 30, 2022	-	-	US$200,000
By December 31, 2022	-	-	US$1,400,000
To acquire an additional 29%:			
By December 31, 2024	US$250,000	200,000	US$1,100,000
Receipt of a feasibility report within 90 days of exercise of the First Option			
Total	US$250,000	200,000	US$2,700,000

Dean, Clayton Valley, Nevada, USA

In 2016 the Company entered into an option agreement to acquire a 100% interest in claims located in southern Clayton Valley, Nevada, USA. To earn a 100% interest, the Company was required to make US$140,000 in cash payments and issue 1,050,000 shares of the Company over the three-year term of the option agreement. These commitments have been settled in full.

The optionor retains a 3% NSR. The Company has the right to purchase 2% of the NSR for US$1,000,000.

Goat Claims, Nevada, USA

The Company entered into a purchase agreement on May 3, 2021 to acquire mining claims in Clayton Valley, Nevada. To acquire the 100% interest, the Company issued 49,000 common shares with a fair value of $75,950 to the vendor. The claims have no retained or underlying royalties.

Water Rights, Nevada, USA

On September 7, 2021, the Company entered into a Water Rights Purchase and Sale Agreement (the "Water Rights Agreement") with Intor Resources Corporation ("Intor"), a wholly-owned subsidiary of Nevada Sunrise Gold Corporation, for the purchase of Intor's Water Rights Permit in Clayton Valley, Nevada (the "Permit"). The Permit allows for the use of water for mining, milling and domestic use. The Company and Intor further agreed that the closing date would be December 8, 2021 to allow time for receipt of all necessary approvals and transfer of the Permit to the Company.

Consideration paid for the Permit was US$2,150,000 ($2,691,445) and the issuance of common shares of the Company having a fair value on closing of US$850,000. On closing the Company issued 546,909 common shares with a fair value of $973,498.

9. EXPLORATION AND EVALUATION ASSETS (cont'd…)

On December 20, 2021, the Company reported that subsequent to the closing of the purchase of the Permit, the Company learned that a petition was filed by a junior exploration company in the Nevada District Court for review of the Nevada State Engineer's approval of Intor's application of the Permit.

Subsequent to December 31, 2021, the petition was dismissed with prejudice by the Fifth Judicial Court of Esmeralda County, Nevada. With this court order, the State Engineer's approval is final and binding, and the extension of the Permit is valid until its annual renewal date of August 28, 2022.

Reclamation Bonds, Nevada, USA

As at December 31, 2021, the Company held reclamation bonds with respect to the Nevada, USA properties of $41,774 (December 31, 2020 - $41,774).

10. CAPITAL STOCK

Authorized

An unlimited number of common shares without par value.

Issuances during the year ended December 31, 2021:

i) On March 22, 2021, the Company closed a bought deal offering, pursuant to a short form prospectus, consisting of 15,640,000 units of the Company at a price of $1.25 per unit for gross proceeds of $19,550,000. Each unit consists of one common share of the Company and one common share purchase warrant, with each warrant being exercisable into an additional common share at an exercise price of $1.75 for a period of three years, expiring on March 22, 2024. The Company bifurcated the value between the components of the units sold using a residual value approach. The result was an allocation of $18,768,000 to capital stock, with the residual value of $782,000 being allocated to reserves for the warrant component of the units.

   In connection with the financing, the Company paid a 6% commission in the amount of $1,173,000 and incurred additional issuance costs of $330,621. Further, the Company issued a total of 938,400 finders' warrants, with each finders' warrant being exercisable into one common share for a period of three years at a price of $1.25, expiring on March 22, 2024.

   The finders' warrants were valued at $649,580 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, volatility of 88.55%, dividend rate of 0% and risk-free interest rate of 0.48%. Using these assumptions, the fair value of each finders' warrant was $0.69.

ii) The Company issued a total of 2,569,000 common shares on the exercise of stock options for proceeds of $363,620. The Company transferred the original $320,516 fair value of these options from reserves to capital stock.

iii) The Company issued a total of 14,283,115 common shares on the exercise of share purchase warrants for gross proceeds of $10,267,778 ($16,500 of which had been received as at December 31, 2020). The Company transferred the original $619,697 fair value of these warrants from reserves to capital stock.

(Expressed in Canadian Dollars)

10. CAPITAL STOCK (cont'd…)

iv) The Company issued into escrow 1,000,000 common shares with a fair value of $970,000 in connection with the acquisition of the DLE License and Pilot Plant Equipment. (Note 8, 9).

v) The Company issued 546,909 common shares with a fair value of $973,498 as part of the consideration under the Water Rights Agreement (Note 9).

vi) The Company issued 49,000 common shares with a fair value of $75,950 in connection with the acquisition of the Goat Claims (Note 9).

Issuances during the year ended December 31, 2020:

i) The Company issued a total of 1,495,000 common shares on the exercise of stock options for proceeds of $230,100. The Company transferred the original $178,756 fair value of these options from reserves to capital stock.

ii) The Company issued a total of 6,892,162 common shares on the exercise of share purchase warrants for proceeds of $1,923,561. In connection with the warrants exercised, The Company transferred the original $7,551 fair value of these warrants from reserves to capital stock.

iii) The Company issued 308,307 common shares with a fair value of $147,987 in settlement of $80,159 in legal fees resulting in a realized loss on debt settlement in the amount of $67,828.

11. RESERVES

The Company has a stock option plan in place under which it is authorized to grant options, restricted share units and deferred share units to Directors, Officers, employees and consultants, to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option is set by the directors but cannot be less than the closing price on the grant date. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding and Exercisable, December 31, 2019	16,653,188	$ 0.270	8,004,000	$ 0.170
Granted	-	-	350,000	0.345
Exercised	(6,892,162)	0.279	(1,495,000)	0.154
Expired	(14,058)	0.070	(80,000)	0.220
Outstanding and Exercisable, December 31, 2020	9,746,968	0.267	6,779,000	0.178
Issued/granted	16,578,400	1.722	2,845,000	1.954
Exercised	(14,283,115)	0.719	(2,569,000)	0.142
Expired	(5,000)	0.330	-	-
Outstanding at December 31, 2021	12,037,253	$ 1.734	7,055,000	$ 0.908
Outstanding and Exercisable at December 31, 2021	12,037,253	$ 1.734	5,131,667	$ 0.472

(Expressed in Canadian Dollars)

11. RESERVES (cont'd…)

The following incentive stock options and share purchase warrants were outstanding at December 31, 2021:

	Number of Shares	Exercise Price	Expiry Date
Stock options:	210,000	$ 0.100	July 18, 2022
	960,000	$ 0.180	October 27, 2022
	1,680,000	$ 0.220	November 2, 2023
	50,000	$ 0.220	November 28, 2023
	1,110,000	$ 0.180	August 13, 2024
	200,000	$ 0.345	August 4, 2025
	750,000	$ 1.250	May 3, 2024
	150,000	$ 1.510	October 1, 2026
	1,945,000	$ 2.260	November 22, 2026
Warrants:	11,654,100	$ 1.750	March 22, 2024
	383,153	$ 1.250	March 22, 2024

Subsequent to December 31, 2021, a total of 639,642 warrants and 710,000 stock options were exercised (Note 18).

Share-based compensation

During the year ended December 31, 2021, the Company granted 2,845,000 (2020 – 350,000) options to consultants, officers and directors. Total share-based compensation recognized in the statement of loss and comprehensive loss for options granted and vested was $1,170,146 (2020 - $84,577) and the weighted average fair value of each option granted was $0.41 (2020 - $0.24).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during fiscal 2021 and 2020:

	2021	2020
Risk-free interest rate	1.04%	0.34%
Expected life	4.33 years	5 years
Annualized volatility	85.02%	85.56%
Estimated forfeiture rate	0%	0%
Dividend rate	0%	0%

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel consist of the Company's Directors and Officers. The aggregate amount paid or accrued to key management personnel, or companies under their control, was as follows:

		2021		2020
Charged to profit and loss as consulting fees	$	95,494	$	113,227
Charged to profit and loss as directors' fees		336,678		126,000
Charged to profit and loss as salaries and wages		226,800		-
Capitalized to exploration and evaluation assets		139,907		149,523
Share-based compensation		753,973		-
Total	$	1,552,852	$	388,750

As at December 31, 2021, $132,370 is owing from key management in relation to income taxes owing on stock options exercised during the year. Subsequent to December 31, 2021, the amounts were received in full.

As at December 31, 2021, $38,706 (December 31, 2020 - $43,334) is included in accounts payable and accrued liabilities owing to Directors and/or companies under their control.

Administrative agreement

The Company operates from the premises of a private company owned by a Director of the Company. The company had provided office and administrative services to the Company under a short-term contract on a cost-plus basis. In November 2021 the Board of Directors approved a revised contract with the company for the provision of these services for a fixed price of $25,000 per month, reviewable quarterly.

Included in due from related party at December 31, 2021, is a prepaid balance of $Nil (2020 - $18,374) with this company.

13. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		2021		2020
Loss before income taxes	$	(2,688,372)	$	(862,941)
Expected income tax recovery	$	(726,000)	$	(233,000)
Non-deductible items		315,000		16,000
Change in statutory, foreign tax, and other		18,000		5,000
Share issue costs		(406,000)		-
Change in unrecognized deductible temporary differences		816,000		212,000
Adjust to prior years provision versus statutory return		(17,000)		-
Total income tax recovery	$	-	$	-

(Expressed in Canadian Dollars)

13. INCOME TAXES (cont'd…)

Significant components of deductible and taxable differences and unused tax losses that have not been included in the statement of financial position are as follows:

	2021	2020	Expiry Dates
Exploration and evaluation assets	$ 4,549,000	$ 5,721,000	No expiry date
Property and equipment	32,000	27,000	No expiry date
Share issue costs	1,227,000	55,000	2038 – 2046
Marketable securities	41,000	47,000	No expiry date
Non-capital losses	15,038,000	12,018,000	2020– 2041
Total	$ 20,887,000	$ 17,868,000	

14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2021	2020
Cash received during the year for interest	$ 19,621	$ 2,912
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income taxes	$ -	$ -

	2021	2020
Cash and cash equivalents consist of:		
Cash	$ 22,437,155	$ 401,554
Guaranteed Investment Certificates ("GIC")	700,000	1,700,000
	$ 23,137,155	$ 2,101,554

Significant non-cash transactions as at and for the year ended December 31, 2021, are as follows:

a) Exploration and evaluation asset expenditures of $49,922 remain in accounts payable and accrued liabilities.

b) Issued 1,000,000 common shares valued at $970,000 in connection with the acquisition of the DLE license and Pilot Plant Equipment (Note 7).

c) Issued 49,000 common shares valued at $75,950 for exploration and evaluation assets (Note 9).

d) Issued 546,909 common shares valued at $973,498 in connection with the Water Rights Agreement (Note 9).

e) Issued 938,400 finders' warrants valued at $649,580 in connection with a unit offering (Note 10).

f) Recognizing a lease liability of $1,033,300 and right of use asset of $1,033,300 (Note 8).

14. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS (cont'd…)

Significant non-cash transactions as at and for the year ended December 31, 2020, were as follows:

a) Exploration and evaluation asset expenditures of $92,318 remained in accounts payable and accrued liabilities.

b) Issued 308,307 common shares valued at $147,987 in settlement of $80,159 in debt (Note 10).

15. LEGAL SETTLEMENT

On April 30, 2020, the Company reached a final settlement agreement in its legal proceedings against Centrestone Resources LLC ("Centerstone"), a Nevada limited liability company. The Fifth Judicial Court of the State of Nevada in and for the County of Esmeralda on February 6, 2020, entered its written order for summary judgment in favor of the Company. Before the hearing, the Company agreed to dismiss its claims for damages against Centrestone in return for a US $200,000 cash payment, the delivery to the Company of certain exploration data and core, and Centrestone's acknowledgement of the Company's title to the Company's mining claims. The settlement was recorded as other income in the consolidated statement of loss and comprehensive loss.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted market prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly, and are based in valuation models and techniques where the inputs are derived from quoted indices. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents and marketable securities are carried at fair value using a Level 1 fair value measurement. The carrying value of receivables, due from related party and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Financial risk factors

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 associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote because these instruments are due primarily from government agencies. Further, the majority of the Company's cash and cash equivalents are held with the Bank of Montreal, a Canadian bank.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2021, the Company had cash and cash equivalents of $23,137,155 (2020 - $2,101,554) to settle current liabilities of $562,693 (2020 - $127,196) and had working capital of $22,953,963 (2020 - $2,051,088). All of the Company's financial liabilities are subject to normal trade terms.

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 commodity and equity prices. These fluctuations may be significant.

(a) Interest rate risk

The Company has cash balances held with financial institutions. The Company's current policy is to invest excess cash in savings accounts or guaranteed investment certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has $22,437,155 in interest-bearing savings accounts with banks as at December 31, 2021 (December 31, 2020 - $401,245) and $700,000 (December 31, 2020 - $1,700,000) in interest-bearing investment-grade guaranteed investment certificates with accrued interest of $42 (December 31, 2020 - $309). A 1% change in interest rates would have an effect of $224,372 (2020 - $21,012) on interest income.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in United States Dollars. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. In addition to cash in US currency of $10,407,963 (December 31, 2020 - $4,093) as of December 31, 2021, the Company has $58,269 (December 31, 2020 - $93,879) in liabilities to US payees. A 1% change in foreign exchange rates would have an effect of $103,497 (2020 - $898) on foreign currency.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of lithium, gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

17. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity.

The properties in which the Company currently has an interest are in the exploration and evaluation stage. As such the Company has historically relied on the equity markets to fund its activities. The Company may 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. There were no changes in the Company's approach to capital management during the year ended December 31, 2021.

18. SUBSEQUENT EVENTS

Bought Deal Offering

On February 4, 2022, the Company closed a bought deal offering, pursuant to a short form prospectus and issued a total of 9,058,000 units of the Company at a price of $2.00 per unit and 142,000 warrants at a price of $0.1598 per warrant. The gross proceeds of $18,138,720 consisted of 1,058,000 units and 142,000 warrants issued by the Company upon partial exercise of the overallotment option granted to the underwriter. Each unit consists of one common share of the Company and one share purchase warrant which entitles the holder to acquire an additional common share of the Company at a price of $2.65 for a period of two years, expiring on February 4, 2024.

In connection with the financing, the Company paid a 6% commission and issued an aggregate of 543,480 finders' warrants. Each finders' warrant is exercisable into one common share at a price of $2.00 for a period of two years expiring on February 4, 2024.

Definitive Purchase and Sale Agreement

The Company entered into a Definitive Purchase and Sale Agreement with Enertopia Corporation to acquire Enertopia's Clayton Valley Lithium Claystone Project located immediately adjacent to the Company's Clayton Valley, Nevada project. The Company will pay US$1.1 million in cash and issue 3,000,000 common shares to Enertopia to purchase 100% ownership interest in Enertopia's Project. Enertopia's Project is 100% owned by Enertopia and comprises mining claims.

The transaction is subject to customary approvals and closing conditions for a transaction of this nature, including approval of the issuance of the share consideration by the TSX Venture Exchange.

Stock Options Granted

The Company granted 750,000 incentive stock options to an Executive Director and an Officer of the Company. The stock options vest over a three-year period and are exercisable at $1.84 per share for a five-year period, expiring on April 4, 2027.

18. SUBSEQUENT EVENTS (cont'd…)

Exercise of Stock Options and Warrants

The Company issued 639,642 common shares pursuant to the exercise of warrants and received proceeds of $1,082,353.

The Company issued 740,000 common shares pursuant to the exercise of options and received proceeds of $142,000.