PROSPECTOR METALS CORP. (formerly Ethos Gold Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

EXPRESSED IN CANADIAN DOLLARS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Prospector Metals Corp. (formerly Ethos Gold Corp.)

Opinion

We have audited the accompanying consolidated financial statements of Prospector Metals Corp. (formerly Ethos Gold Corp.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years the 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 Peter Maloff.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

May 2, 2022

PROSPECTOR METALS CORP. (formerly Ethos Gold Corp.)
Consolidated Statements of Financial Position
(Expressed Canadian Dollars)

	Note(s)		December 31, 2021		December 31, 2020
ASSETS					
Current assets:					
Cash		$	3,558,391	$	2,851,877
Amounts receivables	5		544,534		306,869
Investments	6		3,020,781		1,158,000
Tax credits receivable			-		106,138
Prepaid expenses			433,116		81,075
Total current assets			7,556,822		4,503,959
Non-current assets:					
Bond	4		37,500		37,500
Exploration and evaluation assets	4		6,389,045		1,932,951
Total assets		$	13,983,367	$	6,474,410
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	10	$	495,321	$	119,802
Flow-through share premium	9,14		522,991		284,936
Total current liabilities			1,018,312		404,738
SHAREHOLDERS' EQUITY					
Share capital	9		42,966,960		31,885,197
Reserves	9		7,871,449		6,541,413
Deficit			(37,873,354)		(32,356,938)
Total shareholders' equity			12,965,055		6,069,672
Total liabilities and shareholders' equity		$	13,983,367	$	6,474,410

Nature of operations (Note 1)
Subsequent events (Note 18)

Approved by the Board of Directors and authorized for issue on May 2, 2022.

"Craig Roberts" Director

"Hendrik Van Alphen" Director

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

PROSPECTOR METALS CORP. (formerly Ethos Gold Corp.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed Canadian Dollars)

			Year ended December 31,	
			2021	2020
Expenses				
Amortization		$	**-**	$ 690
Consulting			**822,874**	999,533
Exploration and project evaluation	4		**6,084,430**	2,070,737
Investor relations			**405,931**	261,917
Listing and filing fees			**84,574**	88,799
Office and administrative			**190,323**	68,872
Professional fees			**248,766**	197,699
Rent			**19,662**	20,052
Share-based compensation	9		**1,298,448**	492,484
Travel			**12,952**	30,035
Loss before the undernoted			**(9,167,960)**	(4,230,818)
Other income (expenses)				
Change in fair value of investments	6		**(379,217)**	542,000
Realized loss on sale of investments			**(39,483)**	-
Foreign exchange (loss)/gain			**(4,056)**	(40,664)
Gain on sale of fixed assets			**-**	10,383
Interest income			**24,284**	23,192
Other income from settlement of flow-through	14		**842,777**	368,227
Exploration and evaluation recoveries			**-**	198,000
Write-off of accounts receivable			**-**	(118,100)
Write-off of mineral interests			**(47,001)**	
Other income	4		**3,254,240**	-
Net loss and comprehensive loss for the year		$	**(5,516,416)**	$ (3,247,780)
Basic and diluted loss per common share		$	**(0.14)**	$ (0.12)
Weighted average number of common shares outstanding			**40,666,771**	24,197,247

PROSPECTOR METALS CORP. (formerly Ethos Gold Corp.)
Consolidated Statements of Changes in Shareholders' Equity
For the Year ended December 31, 2021 and 2020
(Expressed Canadian Dollars)

	Share Capital (Note 9)				
	Number of shares	Amount	Reserves	Deficit	Total shareholders' equity
Balance, December 31, 2019	**21,072,338**	**$26,297,828**	**$6,013,407**	**$(29,109,158)**	**$ 3,202,077**
Private placement, net of issuance costs	8,500,001	4,330,119	35,522	-	4,365,641
Shares issue for mineral property	2,058,333	1,257,250	-	-	1,257,250
Share-based compensation	-	-	492,484	-	492,484
Net loss for the year	-	-	-	(3,247,780)	(3,247,780)
Balance, December 31, 2020	**31,630,672**	**$31,885,197**	**$6,541,413**	**$(32,356,938)**	**$ 6,069,672**
Balance, December 31, 2020	**31,630,672**	**$31,885,197**	**$6,541,413**	**$ (32,356,938)**	**$ 6,069,672**
Shares issued for property acquisition	6,316,667	4,194,000	-	-	4,194,000
Shares issued for private placement	9,369,934	7,710,213	-	-	7,710,213
Shares issued for options exercise	33,333	22,250	-	-	22,250
Shares issued for warrants exercise	612,807	448,029	-	-	448,029
Flow-through premium	-	(1,080,832)	-	-	(1,080,832)
Share-based compensation	-	-	1,298,448	-	1,298,448
Share issuance costs	83,333	(231,553)	51,244	-	(180,309)
Reclass of reserves on exercise of options/warrants	-	19,656	(19,656)	-	-
Net loss for the year	-	-	-	(5,516,416)	(5,516,416)
Balance, December 31, 2021	**48,046,746**	**$42,966,960**	**$7,871,449**	**$ (37,873,354)**	**$ 12,965,055**

PROSPECTOR METALS CORP. (formerly Ethos Gold Corp.)
Consolidated Statements of Cash Flows
(Expressed Canadian Dollars)

	Note(s)	2021	2020
Cash flows from operating activities:			
Net loss for the year		$ **(5,516,416)**	$ (3,247,780)
Items not affecting cash:			
Amortization		**-**	690
Change in fair value of investments	6	**379,217**	(542,000)
Realized loss on sale of investments		**39,483**	-
Evaluation and exploration recoveries			(198,000)
Other income from settlement of flow-through	14	**(842,777)**	(368,227)
Mineral Interests Written Off		**47,001**	-
Share-based compensation	9	**1,298,448**	492,484
Other income	4	**(2,725,795)**	-
Changes in non-cash working capital:			
Accounts payable and accrued liabilities		**375,521**	(353,044)
Amounts receivable		**(131,527)**	156,498
Prepaid expenses		**(352,041)**	6,378
Net cash used in operating activities		**(7,428,886)**	(4,065,618)
Cash flows from investing activities:			
Acquisition of mineral properties		**(423,300)**	(519,245)
Bond		**-**	(17,500)
Proceeds on sale of fixed assets		**-**	78,664
Proceeds on sale of investments	4	**558,517**	-
Net cash generated (used) in investing activities		**135,217**	(458,081)
Cash flows from financing activities:			
Proceeds from private placement	9	**7,710,212**	4,495,521
Share issuance costs	9	**(180,308)**	(129,880)
Exercise of warrants	9	**448,029**	-
Exercise of options	9	**22,250**	-
Net cash provided by financing activities		**8,000,183**	4,365,641
Net change in cash		**706,514**	(158,058)
Cash, beginning of the year		**2,851,877**	3,099,935
Cash, end of the year		$ **3,558,391**	$ 2,581,877

Cash and cash equivalents consisted of		
Cash deposited with a Canadian Senior Bank	$ 3,449,300	$ 2,811,786
Term deposits and guaranteed investment certificates issued	109,091	40,091
	$ 3,558,391	$ 2,851,877

Supplemental Cash Flow Information (Note 12)

1. NATURE OF OPERATIONS

Prospector Metals Corp. (formerly Ethos Gold Corp.) (the "Company" or "Prospector") was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2009, it began trading on the TSX Venture Exchange ("TSX-V") as a Tier 2 company under the symbol ECC. Its registered office is located at 1430 – 800 West Pender Street, Vancouver, BC, V6C 2V6. The Company's principal business activities are the identification, exploration and development of economically viable mineral properties.

Subsequent to December 31, 2021, the Company completed a change of name from Ethos Gold Corp. to Prospector Metals Corp on April 6, 2022. Thus, it is now trading on the TSX Venture Exchange under the ticker symbol PPP. The Company also consolidated its common shares based on one post-consolidation common share for each three pre-consolidated common shares. All common shares and per share amounts have been retroactively restated to reflect the consolidation.

As at December 31, 2021, the Company had current assets of $7,556,822 to settle current liabilities of $1,018,312, leaving the company with a working capital of $6,538,510.

These consolidated financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing and if required through the issuance of debt or equity. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company were unable to continue operations in the normal course of business.

2. STATEMENT OF COMPLIANCE, BASIS OF PREPARATION, AND CONSOLIDATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards 1, Presentation of Financial Statements ("IAS 1") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements were approved by the Board of Directors on May 2, 2022.

Basis of Preparation

These consolidated financial statements have been prepared on a historical cost basis, except for assets classified as fair value through profit or loss which has been measured at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company, its 100% owned Canadian subsidiary 1088151 B.C. Ltd., and its 100% owned Mexican subsidiary Compañía Minera Roca Dorada, SA de CV ("Roca Dorada"). Subsidiaries are entities controlled by the Company. The Company controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over its subsidiary. All significant inter-company balances and transactions have been eliminated upon consolidated.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency translation

The functional currency of Prospector and its subsidiaries is the Canadian dollar. Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate in effect at the financial statement date. Exchange gains or losses arising from these translations are recognized in profit or loss for the reporting period.

b) Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than Prospector's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on marketable securities.

c) Exploration and evaluation assets

Before legal rights to explore a property have been acquired, costs are expensed as incurred. Costs related to the acquisition of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value. Costs related to the exploration and evaluation of mineral properties are recognized in profit or loss as incurred.

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

d) Restoration, rehabilitation and environmental costs

Prospector recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at the net present value of estimated future cash flows and the resulting costs are expensed to the statement of loss and comprehensive loss. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows.

e) Income taxes

Tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date. As the Company is in a loss position there is no current tax payable.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.
A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Impairment

Non-financial assets

At each reporting date the carrying amounts of Prospector's long-lived assets, which are comprised of equipment and exploration and evaluation assets, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated 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, which is the present value of future cash flows expected to be derived from the asset or its related cash generating unit. For purposes of impairment testing, assets are grouped at the lowest levels that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the associated assets are reduced to their recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment charge is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of any applicable depreciation, if no impairment loss had been recognized.

g) Financial instruments

Classification

Financial assets are classified at initial recognition as either: measured at amortized cost, Fair value through profit or loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

Fair value through profit or loss ("FVTPL") – Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in profit or loss in the period in which they arise.

Fair value through other comprehensive income ("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. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

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.

Financial liabilities are measured at amortized cost unless they are required to be measured at FVTPL or the Company has opted to measure at FVTPL.

Pursuant to IFRS 9, Prospector classifies its financial instruments as follows:

Cash	FVTPL
Marketable securities	FVTPL
Share-based payments	FVTPL
Other receivables	Amortized cost
Accounts payable, Accrued liabilities	Amortized cost
Loan payable	Amortized cost
Long-term liabilities	Amortized cost

Measurement

Financial assets and liabilities at FVTPL are initially recognized at fair value and transaction costs are expensed in the consolidated statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets or liabilities held at FVTPL are included in the consolidated statement of loss and comprehensive loss in the period in which they arise. Where the Company has opted to designate a financial liability at FVTPL, any changes associated with the Company's credit risk will be recognized in OCI. Financial assets and liabilities at amortized cost are initially recognized at fair value, and subsequently carried at amortized cost less any impairment.

Impairment

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

h) Share-based compensation

The grant date fair value of share-based compensation awards granted to employees and consultants, including directors and officers, is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. Share-based compensation to non-employees are measured at the fair value of the goods or services received or if such fair value is not reliably measurable, at the fair value of the equity instruments issued. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

i) Loss per common share

Basic loss per common 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 period. The computation of diluted loss per common share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the periods presented and accordingly, basic and diluted loss per share are the same.

j) Use of estimates and judgments

The following are the critical judgments and estimates that Prospector has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements.

Critical judgments

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Key sources of estimation uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the consolidated financial statements include:

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

Deferred tax assets and liabilities

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, Prospector would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Prospector's exploration and evaluation assets do not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Environmental rehabilitation obligation

The Company recognizes statutory, contractual or other legal obligations related to the retirement of its exploration and evaluation assets and its tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at the net present value of estimated future cash flows and the resulting costs are expensed to the statement of loss and comprehensive loss. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows.

k) New accounting standards issued but not yet in effect:

IAS 16, Property, Plant and Equipment - Proceeds before Intended Use

The amendment to IAS 16 prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements.

IAS 37, Provisions, Contingent Liabilities and Contingent Assets

The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The Company does not expect the adoption of this new amendment to have a significant impact on the consolidated financial statements

l) Share capital

Common shares

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax. Prospector uses the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the day prior to the issuance date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

m) Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of it exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as recovery from issuance of flow-through shares. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

n) Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Mining Duties Act and a refundable tax credit for resources under the Quebec Income Tax Act. Those credits are calculated on qualified exploration expenditures incurred in the province of Quebec. Those credits are accounted for using the cost reduction method. Accordingly, they are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided there is reasonable assurance that the Company has compiled with all the conditions related to those credits and that those credits will be received. The Company is entitled to the British Columbia Mineral Exploration Tax Credit ("BCMETC") relating to qualifying exploration expenses incurred in the province of British Columbia. Accordingly, BCMETC's are recorded as a reduction of the related expenses or capital expenditures in the year the expenses are incurred provided there is reasonable assurance that the Company has compiled with all the conditions related to those credits and that those credits will be received.

(Expressed in Canadian Dollars)

4) MINERAL INTERESTS

Acquisition costs

	British Columbia	Ontario	Quebec	Newfoundland	United States	Total
Balance, Dec 31, 2019	103,001	-	53,455	-	-	**156,456**
Acquisition costs:						
Cash payments	120,000	69,000	180,145	150,000	-	**519,245**
Share issuances	195,000	658,000	406,750	-	-	**1,257,250**
Write-down	-	-	-	-	-	**-**
Balance, Dec 31, 2020	415,501	727,100	640,350	150,000	-	**1,932,951**
Acquisition costs:						
Cash payments	75,000	28,300	150,000	170,000	-	**423,300**
Share issuances	393,000	1,345,000	408,000	2,048,000	-	**4,194,000**
Recovery	-	-	(114,205)	-	-	**(114,205)**
Write down	(47,001)					**(47,001)**
Balance, December 31, 2021	836,500	2,100,400	1,084,145	2,368,000	-	**6,389,045**

Exploration expenditures

During the year ended December 31, 2021, the Company incurred the following exploration expenses:

	British Columbia	Ontario	Quebec	Newfoundland	United States	Total
Administration	68,467	10,530	11,907	6,662	-	**97,566**
Assays	96,634	59,126	36,679	53,300	105,220	**350,959**
Camp costs	128,549	165,233	178,337	224,448	1,639	**698,206**
Community Relations	8,400	26,480	-	2,100	-	**36,980**
Drilling	941,960	101,193	89,435	-	-	**1,132,588**
Field equipment	25,697	83,961	17,952	217,608	-	**345,218**
Geological	468,300	558,631	283,933	970,134	83,566	**2,364,564**
Geophysics	73,692	310,674	128,870	207,810	-	**721,045**
Property Maintenance	2,871	6,150	3,336	-	-	**12,357**
Travel	53,868	44,476	39,830	171,903	14,869	**324,946**
Balance, December 31, 2021	1,868,437	1,366,454	790,278	1,853,965	205,925	**6,084,430**

(Expressed in Canadian Dollars)

During the year ended December 31, 2020, the Company incurred the following exploration expenses:

	British Columbia	Ontario	Quebec	Newfoundland	United States of America	**Total**
Administration	4,452	15,284	98,130	964	396	**119,226**
Assays	25,227	971	87,565	-	87	**113,850**
Camp costs	6,622	-	4,763	-	-	**11,385**
Drilling	-	-	206,823	-	-	**206,823**
Field equipment	902	1,186	8,880	-	-	**10,968**
Geological	130,144	95,178	231,098	15,992	89,236	**561,648**
Geophysics	20,672	257,099	332,953	-	269,213	**879,937**
Property maintenance	-	-	-	-	95,202	**95,202**
Travel	38,314	1,215	24,003	-	8,166	**71,698**
Balance Dec 31, 2020	226,333	370,933	994,215	16,956	462,300	**2,070,737**

(Expressed in Canadian Dollars)

a) Pine Pass Project, British Columbia

On July 31, 2018, the Company entered into an option agreement to acquire a 100% interest in three vanadium projects (Pine Pass, Ursula and Tunnel) in northeastern British Columbia. The Company can earn a 100% interest in the three projects by making the following cash payments and share issuances:

	Cash		Shares	
Within five days of TSX Venture	$80,000	Paid	66,667	Issued
On the first anniversary	$120,000		133,333	
On the second anniversary	$160,000		200,000	
On the third anniversary	$240,000		266,667	
On the fourth anniversary	$400,000		333,333	

If the Company completes the 100% acquisition of the three properties by making the above cash payments and share issuances the Company will grant to the vendors a 2.0% NSR royalty on all three projects, of which half can be repurchased at any time by the Company by paying the vendors $1,500,000.

During the year ended December 31, 2019, the company did not renew the Tunnel project.

On June 20, 2019, the area in which the Pine Pass Project is located became subject to a moratorium on resource development (the "Moratorium") imposed by the Province of British Columbia in connection with caribou protection strategies.

On July 31, 2019, the Company entered in an amended option agreement (the "Addendum") with the vendors whereby the previous cash payments and share issuances are suspended indefinitely, pending the lifting of the Moratorium. The Moratorium will be deemed to have been lifted when the Company is no longer restricted by the Moratorium from carrying out exploration and development activities on the Pine Pass Project (the "Reinstatement Date"). Per the Addendum, to maintain the option agreement in good standing, the Company must make the following cash payments and share issuances:

	Cash		Shares	
Within five days of TSX Venture acceptance of the Addendum	$30,000	Paid	33,333	Issued
On July 31, 2020 (the "Second Interim Payment")	$30,000	Paid	33,333	Issued
If the Reinstatement Date falls after July 31, 2020	$60,000*		66,667*	

* In the event the Moratorium is lifted, the final interim cash payment of $60,000 and the issuance of 66,667 shares will be credited towards the first anniversary payments under the original agreement and the remainder of the cash payments and share issuances will be due annually on the Reinstatement Date, as per the original agreement.

In addition to the above cash payments and shares issuance, by the fourth anniversary of the Reinstatement Date, the Company will conduct and complete a PEA in respect of any one of the properties (Pine Pass or Ursula).

(Expressed in Canadian Dollars)

The Company will be making reasonable efforts to pursue any entitlement to compensation arising in connection with the Moratorium. In the event the Company is successful in recouping compensation, the Company shall first recover its costs and expenses incurred during this process with any remaining proceeds to be split evenly between the Company and the vendors.

Due to the uncertainty of the Moratorium, the Company wrote down the carry value of the Pine Pass project to $Nil at December 31, 2021.

b) Perk-Rocky Project, British Columbia

On May 10, 2019, the Company entered into an option agreement to acquire a 100% interest in the Perk-Rocky project located 225km west of Williams Lake, British Columbia. The Company can earn a 100% interest in the Perk-Rocky Project by incurring exploration expenses totaling $350,000 (incurred) on or prior to the first anniversary of the agreement and by making $690,000 in cash payments and issuing 966,667 common shares of the Company as follows:

	Cash		Shares	
Within five days of the execution date	$10,000	Paid	-	
Within five days of TSX Venture acceptance	$30,000	Paid	100,000	Issued
May 10, 2020	$75,000	Paid	150,000	Issued
August 16, 2021	$75,000*	Paid	150,000*	Issued
October 31, 2022	$500,000*		566,667*	

During the to the year ended December 31, 2021, the Company amended the Perk-Rocky option agreement whereby the second anniversary payments of $175,000 in cash and 233,333 common shares due on or before August 16, 2021 are now $75,000 (paid) and 150,000 shares (issued) respectively and the third anniversary payments of $400,000 cash and 483,333 shares due on or before October 31, 2022 are now $500,000 and 566,667 shares respectively.

On August 26, 2021, the Company issued 150,000 common shares relating to the acquisition of Perk-Rocky mineral property with a fair value of $225,000.

In the event the Company accomplishes the milestones as listed below, milestone payments, which are due within 30 days of the Company reaching each milestone, will be paid as follows:

- US$350,000 in the event the Company obtains a technical report that is NI 41-101 compliant.
- US$500,000 in the event the Company obtains a Preliminary Economic Assessment.
- US$1,000,000 in the event the Company obtains a Feasibility Study.
- US$2,000,000 in the event the Company elects to put the property into commercial production.

Upon acquiring 100% interest in the property, the Company will grant the vendor a 3% NSR. The Company may repurchase 2% of the NSR for US$7 million.

As at December 31, 2021, the Company had advanced a $37,500 (December 31, 2020 - $37,500) bond to the Government of British Columbia related to the ongoing exploration work at the Perk-Rocky project.

(Expressed in Canadian Dollars)

c) Gaffney, BC

On September 11, 2020, the Company entered into an earn in agreement whereby the Company can earn a 100% interest in the Gaffney gold property located in central British Columbia.

The Company can earn a 100% interest in the Gaffney gold property by making the following cash and share payments:

	Cash		Shares	
Within five days of the execution date	$15,000	Paid	-	
Within five days of TSX Venture acceptance	-		200,000	Issued
On or before October 1, 2021	-		200,000	Issued
On or before October 1, 2022	-		200,000	
On or before October 1, 2023	-		200,000	

During the year ended December 31, 2021, 200,000 shares were issued for a fair value of $168,000.

The vendor retains a 1% NSR royalty, of which the first 0.5% can be purchased for $500,000, and a second tranche of 0.5% may be purchased for $1,000,000. There are no work commitments.

d) Fuchsite Lake, Ontario

On August 5, 2020, the Company staked the Fuchsite Lake claim block ("Fuchsite Lake Gold Project") in the province of Ontario, which comprises 3750 hectares located 20 km north of the town of Armstrong, Ontario. Staking costs of $9,100 are included in mineral property acquisition costs.

On September 3, 2020, the Company entered into a definitive property option agreement with Cross River Ventures Corp. ("Cross River") whereby Cross River has been granted the right to acquire up to a 60% interest in the project by advancing to the Company total cash payments of $300,000 and 2,000,000 Cross River common shares. In addition, Cross River must incur $1,950,000 in exploration expenditures on the project. The schedule of cash payments, share issuances and exploration expenditures are as follows:

	Cash		Shares		Work Commitment
Upon signing	-		500,000	Received	-
December 31, 2020	-		-		-
On or before December 3, 2021 *	$75,000	Received	500,000	Received	-
December 31, 2021	-		-		-
On or before September 3, 2022	$75,000		500,000		-
December 31, 2022	-		-		$1,200,000
On or before September 3, 2023	$75,000		500,000		-
December 31, 2023	-		-		$750,000
On or before September 3, 2024	$75,000		-		-

Upon Cross River earning their 60% interest, the Company will retain a 2% NSR royalty on the project. Cross River can acquire 1% of the NSR royalty by paying the Company a one-time cash payment of $1,000,000.

(Expressed in Canadian Dollars)

***** On September 1, 2021, an amendment was made to the property option agreement. The cash payment of $75,000 and 500,000 Cross River common shares, previously due on September 3, 2021, is now due on or before December 3, 2021. During the year ended December 31, 2021, the Company received 500,000 Cross River shares valued at $70,000 at issuance date and 546,249 Cross River shares in lieu of the of the $75,000 cash payment.

e) Savant Lake, Ontario

On September 1, 2020, the Company entered into an earn in agreement with New Dimension Resources Ltd. ("New Dimension") whereby the Company can earn a 70% interest in the Savant Lake gold property located in the Savant Lake Greenstone Belt 240km northwest of Thunder Bay, Ontario.

The Company can earn a 70% interest in the Savant Lake property by paying the optionor a total of $200,000 in cash, issuing 2,666,667 common shares of the Company, and completing $2,000,000 in exploration work, as follows:

	Cash		**Shares**		**Work Commitment**
Within five days of the execution date	$50,000	Paid	-		-
Within five days of TSX Venture acceptance	-		666,667	Issued	-
On or before September 20, 2021	$50,000		666,667		$500,000
On or before September 20, 2022	$50,000		666,667		$1,000,000
On or before September 20, 2023	$50,000		666,667		$500,000

If a mineral resource in excess of one million ounces of gold is defined on the property, the Company will make additional payments to New Dimension of $50,000 in cash and issue 666,667 common shares of the Company.

During the year ended December 31, 2021, an amendment has been made to the Savant Lake Property Option Agreement. Changes are as follows:

	Cash		**Shares**		**Work Commitment**
Within five days of the execution date	$50,000	Paid	-		-
Within five days of TSX Venture acceptance	-		666,667	Issued	-
On or before September 20, 2021	-		333,333	Issued	-
On or before November 15, 2022	$50,000		666,667		$500,000
On or before November 15, 2023	$50,000		666,667		$1,000,000
On of before November 15, 2024	$50,000		333,333		$500,000

On September 20, 2021, the Company issued 333,333 common shares relating to the acquisition of Savant Lake mineral property with a fair value of $270,000.

f) Campbell Lake Gold Project, Ontario

On October 6, 2020, the Company entered into an earn in agreement whereby the Company can earn a 100% interest in the Campbell Lake gold project located 40km north of the town of Armstrong, Ontario

The Company can earn a 100% interest in the Campbell Lake gold project by making the following cash and share payments:

(Expressed in Canadian Dollars)

	Cash		Shares	
Within five days of the execution date	$10,000	Paid	-	
Within five days of TSX Venture acceptance	-		200,000	Issued
Within five days of an airborne geophysics survey date	-		200,000	Issued
On or before October 6, 2021	-		200,000*	Issued
On or before October 6, 2022	-		600,000*	Issued

There are no work commitments.

* On April 27, 2021, the Company accelerated the Campbell Lake Gold Project acquisition by issuing 800,000 common shares relating to the acquisition of Campbell Lake mineral property with a fair value of $480,000.

g) Fairchild Lake Project, Ontario

On February 3, 2021, the Company entered into an earn-in agreement under which Prospector may earn a 100% interest in the 2,228-hectare Fairchild Lake claim block located 65 km northeast of Sioux Lookout, Ontario by making the following cash and share payments:

a. Cash payment of $5,000 on signing (paid)
b. 166,667 shares within 5 days of Exchange acceptance (issued)
c. 166,667 shares within 9 months of signing (issued)
d. 166,667 shares within 18 months of signing

There are no work commitments or royalties payable

During the year ended December 31, 2021, Prospector issued 333,334 related to the Fairchild Lake property valued at $215,000.

h) Whitton Lake (formerly known as Heaven Lake) Project, Ontario

On March 7, 2021, the Company entered into an earn-in agreement under which the Company may acquire a 100% interest in the 4,400-hectare Whitton Lake claim block by making the following cash and share payments:

e. Cash payment of $23,300 on signing (paid)
f. 666,667 shares within 5 days of Exchange acceptance (issued)
g. 666,667 shares within 12 months of signing
h. 666,667 shares within 24 months of signing

There are no work commitments. There is a 2% NSR. The Company can acquire 1% of the NSR by paying $1,000,000.

i) Bassano, Quebec

On September 1, 2020, the Company entered into an earn in agreement whereby the Company can earn a 100% interest in the Bassano project, which is contiguous to the Company's Schefferville project in the province of Quebec.

The Company can earn a 100% in the Bassano project by paying the optionor a total of $200,000 in cash, 1,166,667 shares, and completing $500,000 in exploration work, as follows:

(Expressed in Canadian Dollars)

	Cash		Shares		Work Commitment
Within five days of the execution date	$50,000	Paid	-		-
Within five days of TSX Venture	-		33,333	Issued	-
November 15, 2021*	$50,000	Paid	66,667	Issued	$125,000
November 15, 2022	$50,000		133,333		$125,000
November 15, 2023	$50,000		266,667		$125,000
November 25, 2024	-		666,667		$125,000

The optionor will retain a 2% NSR royalty of which the Company may purchase 1% for $1,000,000.

During the year ended December 31, 2021, Prospector paid $50,000 and issued 66,667 related to the Bassano property valued at $48,000.

j) Ligneris Property, Quebec

On June 26, 2019, the Company entered into an earn in agreement with Société d'exploration minière Vior Inc. ("Vior") whereby the Company can earn a 70% interest in the Ligneris property, located 90 km north of Rouyn-Noranda, Quebec. The Company can earn a 51% interest in the Ligneris Property by issuing Vior 333,333 common shares of the Company and incurring $3,000,000 in exploration expenditures over the first four years of the agreements as follows:

	Work Commitment	Shares	
Within ten days of TSX Venture acceptance	-	66,667	Issued
On or before June 26, 2020	$750,000*	75,000	Issued
On or before June 26, 2021	$750,000	83,333	
On of before June 26, 2022	$750,000	108,333	
On of before June 26, 2023	$750,000	-	

*Before the first anniversary the Company had satisfied its first-year work commitment.

Upon the Company earning its' initial 51% interest in the Ligneris Property, the Company will have 60 days to elect to earn an additional 19% interest in the Ligneris Property by incurring an additional $4,000,000 in exploration expenditures over the next three years, commencing from the date of the Company's election.

During the year ended December 31, 2021, the Company concluded a termination and release agreement with Vior whereby Prospector has accepted to renounce all of its rights under the Earn-in Agreement dated June 26, 2019 on the Ligneris project in Abitibi, Quebec in exchange for 1 million Vior shares. During the year ended December 31, 2021, the Company received 1,000,000 shares of Vior (VIO.V). The fair value of these shares was $220,000, which was recorded as a recovery against the Ligneris Property ($114,205) and the remaining ($105,795) was recorded as other income in the Statement of Loss and Comprehensive Loss.

k) Schefferville, Quebec

On August 5, 2020, the Company staked a total of 288 km^2 area in two claim blocks in the province of Quebec: the Sable block (234 km^2) is centered 80 kilometers northwest of Schefferville and the Hamard block (54 km^2) is centered 35 kilometers due west of Schefferville. Staking costs of $80,145 are included in mineral property acquisition costs.

On October 15, 2020, Prospector announced that it has purchased a 100% interest in 206 mineral claims covering 10,018 Ha (100.2 km2) contiguous to Prospector's newly staked Sable block, part of the Schefferville Gold Project, 85 km northwest of Schefferville, Quebec.

Prospector has purchased the claims for $50,000 cash (paid) and 500,000 shares of Prospector (issued). Additionally, there is a 2.0% NSR in favor of the vendors of which Prospector may purchase 1.0% for $1,000,000.

Schefferville Ashuanipi Property

On February 15, 2021, the Company entered into an earn-in agreement under which the Company may acquire a 100% interest in the Schefferville Ashuanipi Property by making $100,000 in cash payments (paid) and issuing 666,667 shares on closing (issued). Prospector has committed to spending $500,000 over three years on the claims with any shortfall resulting in a cash payment to the vendor in an amount equal to a prorated cash payment of $100,000. If the commitment is satisfied, no such payment is required. The vendors will retain a 2.0% NSR royalty on the Property, of which 1.0% may be repurchased by the Company for $1,000,000.

l) Toogood Project

On December 22, 2020, Prospector announced that it has entered into two earn-in agreements under which Prospector may earn a 100% interest in the 6,350-hectare (63.50 km2) Toogood claim group and the 1,800 hectare (18 km2) McGrath claim group located on New World Island, approximately 65 km north of Gander, Newfoundland. These projects are situated to the north-east of the Company's Deep Cove and Virgin Arm properties with good access by paved and gravel roads and trails. The Deep Cove, Virgin Arm, McGrath and Toogood claims will be collectively referred to as the Toogood Project.

Toogood Claim Group Earn-in Agreement:

Prospector can earn a 100% interest in the Toogood claim group by making the following cash and share payments:

- Cash payment of $25,000 on signing (paid)
- 833,333 shares on TSXV approval of the entrance into the earn-in agreement (issued)
- 833,333 shares 12 months following signing (issued)*.

The vendor retains a 2% NSR royalty, of which the first 1% can be purchased by Prospector for $1,000,000. There are no work commitments.

During February 2021, a finder's fee of 33,333 shares were issued in respect of the Toogood claim group transaction.

During the year ended December 31, 2021, Prospector issued 1,700,000 common shares related to the Toogood property valued at $1,042,000.

McGrath Claim Group Earn-in Agreement:

Prospector can earn a 100% interest in the McGrath claim group by making the following share payments:

- 266,667 shares on TSXV approval of the entrance into the earn-in agreement
- 266,667 shares 12 months following signing

(Expressed in Canadian Dollars)

During the year ended December 31, 2021, Prospector issued 530,334 common shares related to the McGrath claim group valued at $376,000.

The vendor retains a 2% NSR royalty, of which the first 1% can be purchased for $1,000,000. There are no work commitments.

Deep Cove Claim Group Earn-in Agreement:

Prospector can earn a 100% interest in the Deep Cove claim group by making the following cash and share payments:

	Cash		**Shares**		**Work Commitment ***
Within five days of the execution date	$65,000	Paid	-		-
Within five days of TSX Venture	-		200,000	Issued	-
On or before October 29, 2021**	$45,000	Paid	200,000	Issued	$100,000
On or before October 29, 2022	$50,000		266,667		$100,000
On or before October 29, 2023	$120,000		400,000		$100,000

* Prospector shall incur exploration costs of $100,000 per year on the Deep Cover claim block.

During the year ended December 31, 2021, Prospector paid $45,000 and issued 400,000 common shares related to the Deep Cove property valued at $246,000.

The vendor retains a 2% NSR royalty, of which the first 1% can be purchased for $1,000,000.

Virgin Arm Claim Group Earn-in Agreement:

Prospector can earn a 100% interest in the Virgin claim group by making the following cash and share payments:

	Cash		**Shares**	
Within five days of the execution date	$60,000	Paid	-	
Within five days of TSX Venture	-		133,333	Issued
On or before October 29, 2021	$75,000	Paid	200,000*	Issued
On or before October 29, 2022	$90,000		266,667	
On or before October 29, 2023	$150,000		400,000	

The vendor retains a 3% NSR royalty, of which the first 1.5% can be purchased for $1,500,000. There are no work commitments.

During the year ended December 31, 2021, Prospector paid $75,000 and issued 333,333 common shares related to the Virgin Arm property valued at $212,000.

Fairbanks Earn-in Agreement:

	Cash		**Shares**	
Within five days of the execution date	$50,000	Paid	-	
Within five days of TSX Venture	-		133,333	Issued
On or before June 15, 2022	$50,000		100,000	
On or before June 15, 2023	$50,000		133,333	
On or before June 15, 2023	$50,000		200,000	

(Expressed in Canadian Dollars)

During the year ended December 31, 2021, the Company issued 133,333 common shares relating to the acquisition of Fairbanks mineral property with a fair value of $172,000.

m) Iron Point Property, Nevada, USA

On May 16, 2019, the Company entered into an earn in agreement with Victory Metals Ltd. ("Victory") whereby the Company can earn a 50% undivided interest in the gold and silver rights at Victory's Iron Point vanadium project, located 35 km east of Winnemucca, Nevada. The Company can earn its 50% undivided interest by spending $5,000,000 over three years, including a minimum of $1,000,000 (incurred) in the first year. Following the earn-in, a 50-50 joint venture will be formed between the Company and Victory, exclusive to the gold and silver rights on the Iron Point property. On May 22, 2020, the Company and Victory amended the earn in agreement whereby the Company must expend $5,000,000 over five years (previously three years), including $1,000,000 (incurred) in the first year. Commencing on the first anniversary of the agreement, the Company must spend at least US$250,000 each year in exploration expenditures.

During the year ended December 31, 2021, the Company concluded a termination and release agreement (the "Agreement") with Nevada King Gold Corp. ("Nevada King") whereby Prospector has accepted to renounce all of its rights under the Earn-in Agreement dated May 16, 2019 on the Iron Point project in Humboldt County, Nevada in exchange for 6.5 million shares of Nevada King. As consideration for the renunciation of the Iron Point Project, Nevada King has agreed to issue to Prospector, 6,500,000 shares of Nevada King. During the year ended December 31, 2021, the Company recorded an amount of $2,470,000 in other income representing the fair value of the Nevada King shares at issuance date.

5) ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
GST receivable	$ 306,475	$ 67,551
QST receivable	238,059	237,743
Other	-	1,575
Balance	$ 544,534	$ 306,869

6) INVESTMENTS

	Fair value Jan 1,2020	Additions Dec 31, 2020	Disposals Dec 31, 2020	Fair value adjustment Dec 31, 2020	Fair value Dec 31, 2020
Common shares	$ 418,000	$ 198,000	$ -	$ 542,000	$ 1,158,000

	Fair value Jan 1, 2021	Additions December 31, 2021	Disposals December 31, 2021	Fair value adjustment December 31, 2021	Fair value December 31, 2021
Common shares	$1,158,000	$ 2,840,000	$ (598,002)	$ (379,217)	$ 3,020,781

7) TAX CREDIT RECEIVABLE

As at December 31, 2021, the Company has tax credits receivable of $Nil (December 31,2020 - $106,138).

8) PROPERTY, PLANT AND EQUIPMENT

During the year ended December 31, 2019, the company acquired a building in the province of Quebec, Canada for total proceeds of $69,168. During the year ended December 31, 2020 the Company sold the building in Quebec for proceeds of $78,861 and realized a gain on the sale of $10,383. During the year ended 2021, the Company incurred $nil in amortization (2020 - $887).

9) SHARE CAPITAL

Subsequent to the year ended December 31, 2021, the Company had consolidated it shares on the basis of one post-consolidation common share for each three pre-consolidation common shares. All shares and per share amounts have been retroactively restated.

(a) Authorized

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

(b) Common shares – issued and outstanding

Common shares - At December 31, 2021 the Company had 48,046,746 (December 31, 2020 – 31,630,672) common shares issued and outstanding.

Preferred shares – At December 31, 2021 and December 31, 2020 no preferred shares were issued and outstanding.

Year ended December 31, 2021:

Shares issued for property acquisition (Note 4)

On February 11, 2021, the Company issued 866,667 common shares relating to the acquisition of the Toogood mineral property with a fair value of $442,000.

On February 11, 2021, the Company issued 200,000 common shares relating to the acquisition of the Deep Cove claim group with a fair value of $102,000.

On February 11, 2021, the Company issued 133,333 common shares relating to the acquisition of the Virgin Arm mineral property with a fair value of $68,000.

On March 8, 2021, the Company issued 266,667 common shares relating to the acquisition of the McGrath claim group with a fair value of $168,000.

On March 24, 2021, the Company issued 666,667 common shares relating to the acquisition of the Ashuanipi Property with a fair value of $360,000.

On March 26, 2021, the Company issued 166,667 common shares relating to the acquisition of the Fairchild Lake mineral property with a fair value of $95,000.

On April 12, 2021, the Company issued 666,667 common shares relating to the acquisition of the Whitton Lake mineral property with a fair value of $380,000.

On April 27, 2021, the Company issued 800,000 common shares relating to the acquisition of Campbell Lake mineral property with a fair value of $480,000.

On August 6, 2021, the Company issued 133,333 common shares relating to the acquisition of Fairbanks mineral property with a fair value of $172,000.

On August 16, 2021, the Company issued 150,000 common shares relating to the acquisition of Perk-Rocky mineral property with a fair value of $225,000.

On September 20, 2021, the Company issued 333,333 common shares relating to the acquisition of Savant Lake mineral property with a fair value of $270,000.

On October 12, 2021, the Company issued 200,000 common shares relating to the acquisition of Gaffney Gold mineral property with a fair value of $168,000.

On October 29, 2021, the Company issued 1,466,667 common shares relating to the acquisition of the following mineral properties:

- Deep Cove – 200,000 common shares with a fair value of $144,000.
- Virgin Arm – 200,000 common shares with a fair value of $144,000.
- TooGood – 833,333 common shares with a fair value of $600,000.
- Bassano – 66,667 common shares with a fair value of $48,000.
- Fairchild – 166,667 common shares with a fair value of $120,000.

On December 10, 2021, the Company issued 266,667 common shares relating to the acquisition of McGrath mineral property with a fair value of $208,000.

Private placements

On April 1, 2021, the Company closed the first tranche of its Private Placements consisted of the following:

- a British Columbia flow through private placement of 932,056 flow through units priced at $0.72 per unit for gross proceeds of $671,080. Each unit will comprise one flow through share, and one half of one non-flow through common share purchase warrant.

- an Ontario flow through private placement of 238,889 flow through units priced at $0.72 per unit for gross proceeds of $172,000. Each unit will comprise one flow through share, and one half of one non-flow through common share purchase warrant.

- a national flow through private placement of 1,720,455 flow through units priced at $0.66 per unit for gross proceeds of $1,135,500. Each unit will comprise one flow through share, and one half of one non-flow through common share purchase warrant.

- a national charity flow through private placement of 1,092,600 flow through units priced at $0.75 per unit for gross proceeds of $819,450. Each unit will comprise one flow through share, and one half of one non-flow through common share purchase warrant.

  Each whole such warrant will be exercisable into one common share of the Company at an exercise price of $1.20 for a period of two years following closing. The common share purchase warrants will be subject to acceleration at the Company's discretion in the event its common shares trade on the TSX Venture Exchange on a volume weighted average price ("VWAP") basis of $1.80 or more for a period of ten consecutive trading days.

On April 27, 2021, Prospector closed a private placement consisted of the following:

- a British Columbia flow through private placement of 256,500 flow through units priced at $0.72 per unit for gross proceeds of $184,680. Each unit will comprise one flow through share, and one half of one non-flow through common share purchase warrant. Each whole such warrant will be exercisable into one common share of the Company at an exercise price of $1.20 for a period of two years following closing. The common share purchase warrants will be subject to acceleration at the Company's discretion in the event its common shares trade on the TSX Venture Exchange on a volume weighted average price ("VWAP") basis of $1.80 or more for a period of ten consecutive trading days.

On June 8, 2021, Prospector closed a private placement consisted of the following:

- a flow through private placement of 1,851,852 flow-through units priced at $0.72 per unit for gross proceeds of $1,333,334. Each unit consisted of one flow through share, and one half of one non-flow through common share purchase warrant (each whole warrant, a "warrant"). Each warrant is exercisable into one common share of the Company at an exercise price of $0.90 for a period of two years.

On August 6, 2021, the Company closed a non-brokered private placement which consisted of the following:

- a private placement of 2,360,213 units priced at $0.96 per unit of gross proceeds $2,265,804. Each unit consisted of one common share of the Company and one half of one common share purchase warrant of the Company. Each warrant is exercisable into one common share at an exercise price of $1.35 for a period of two years from closing of the private placement.

On November 23, 2021, Prospector closed a non-brokered private placement which consisted of the following:

- 917,370 flow-through units priced at $1.23 per unit for gross proceeds of $1,128,365. Each unit consist of one flow through share, and one half of one non-flow through common share purchase warrant. Each Warrant is exercisable into one common share of the Company at an exercise price of $1.44 for a period of two years. The private placement is subject to the acceptance of the TSX Venture Exchange and all securities issued or issuable under the private placement are subject to a 4-month hold period expiring on March 24, 2022.

In connection with the private placements closed during the year ended December 31, 2021, the Company paid $180,309 in share issuance costs and issued 157,449 finders warrants valued at $51,244. The Company also issued 83,333 shares for finders' fees valued at $80,000 as at issuance date.

In connection with the private placements closed during the year ended December 31, 2021, a premium was received for the flow-through shares resulting in an initial liability of $1,080,832 (Note 14).

Warrants exercised:

During the year ended December 31, 2021, the Company issued 612,807 common shares relating to the exercise of warrants for gross proceeds of $448,029.

Options exercised:

On August 19, 2021, the Company issued 16,667 common shares relating to the exercise of options for gross proceeds of $11,000.

On October 12, 2021, the Company issued 16,667 shares upon the exercise of options for gross proceeds of $11,250.

Year-ended December 31, 2020

On December 4, 2020, the Company issued 400,000 common shares relating to the acquisition of the Campbell mineral property (Note 4) with a fair value of $258,000.

On November 17, 2020, the Company issued 400,000 common shares relating to the acquisition of the Schefferville mineral property (Note 4) with a fair value of $322,500.

On November 17, 2020, the Company completed a non-brokered private placement and issued 166,667 units of the Company at a price of $0.60 per unit for gross proceeds of $100,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a purchase price of $1.20 per share until November 17, 2025.

On November 2, 2020, the Company issued 200,000 common shares relating to the acquisition of the Gaffney mineral property (Note 4) with a fair value of $126,000.

On October 23, 2020, the Company issued 666,667 common shares relating to the acquisition of the Savant Lake mineral property (Note 4) with a fair value of $400,000.

On October 8, 2020, the Company issued 33,333 common shares relating to the acquisition of the Bassano mineral property (Note 4) with a fair value of $23,500.

On September 3, 2020, the Company completed a private placement of 3,333,333 units priced at $0.42 per unit for gross proceeds of $1,400,000. Each unit comprises of one common share, and one half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $0.60 for a period of two years. The common share purchase warrants are subject to acceleration at the Company's discretion in the event its common shares trade on the TSX Venture Exchange on a volume weighted average price ("VWAP") basis of $1.20 or more for a period of ten consecutive trading days. In connection with the financing, the Company paid finders fees of $5,390 in cash and issued 38,975 finder's warrants ($19,608) entitling the holder to purchase one common share of the Company at an exercise price of $0.60 for a period of two years. The Company incurred additional share issuance costs of $15,137.

On September 3, 2020, the Company completed a flow through private placement of 666,667 flow through units priced at $0.48 per unit for gross proceeds of $320,000. Each unit comprises one flow through share, and one half of one non-flow through common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $0.66 for a period of two years. The common share purchase warrants are subject to acceleration at the Company's discretion in the event its common shares trade on the TSX Venture Exchange on a VWAP basis of $1.20 or more for a period of ten consecutive trading days.

On September 3, 2020, the Company completed a flow through private placement of 1,000,000 flow through units priced at $0.54 per unit for gross proceeds of $540,000. Each unit comprises one flow through share, and one half of one non-flow through common share purchase warrant. Each whole warrant will be exercisable into one common share of the Company at an exercise price of $0.72 for a period of two years. The common share purchase warrants are subject to acceleration at the Company's discretion in the event its common shares trade on the TSX Venture Exchange on a VWAP basis of $1.20 or more for a period of ten consecutive trading days.

On September 3, 2020, the Company completed a non-brokered private placement of 3,333,333 units priced at $0.63 per unit for gross proceeds of $2,100,000. Each unit comprises one common share, and one half of one common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at an exercise price of $0.84 for a period of two years. The common share purchase warrants are subject to acceleration at the Company's discretion in the event its common shares trade on the TSX Venture Exchange on a VWAP basis of $1.65 or more for a period of ten consecutive trading days. In connection with the financing, the Company paid finders fees of $33,948 in cash and issued 36,458 finder's warrants ($15,914) entitling the holder to purchase one common share of the Company at an exercise price of $0.84 for a period of two years. The Company incurred additional share issuance costs of $39,883.

On August 11, 2020, the Company issued 75,000 common shares relating to the acquisition of the Ligneris mineral property (Note 4) with a fair value of $60,750.

On August 4, 2020, the Company issued 33,333 common shares relating to the acquisition of the Pine Pass mineral property (Note 4) with a fair value of $17,000.

On May 7, 2020, the Company issued 150,000 common shares relating to the acquisition of the Perk Rocky mineral property (Note 4) with a fair value of $49,500.

(c) Share purchase options

Share purchase options are granted at an exercise price equal to the estimated fair value of the Company's common shares on the date of the grant. On June 22, 2020, the Company implemented a new Share Option Plan for the benefit of directors, employees, management company employees and consultants of the Company. The Plan provides that the directors of the Company may grant options to purchase common shares on terms that the directors may determine. The maximum aggregate number of common shares that may be reserved for issuance under the Plan is 10% of the issued and outstanding common shares of the Company at the time of grant.

On May 20, 2021, Prospector granted of a total of 1,236,666 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $0.675 per common share in accordance with the terms of the Company's stock option plan. On August 3, 2021, Prospector granted of a total of 166,666 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $1.26 per common share in accordance with the terms of the Company's stock option plan.

On October 8, 2021, the Company granted an aggregate of 683,333 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of $0.78 per common share in accordance with the terms of the Company's stock option plan.

(Expressed in Canadian Dollars)

A summary of the status of the Company's outstanding and exercisable share purchase options is presented below:

	December 31, 2021		December 31, 2020	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding at beginning of year	3,038,333	$0.60	1,780,000	$0.60
Granted	2,103,333	$0.76	1,333,333	$0.66
Expired/Cancelled	(688,333)	$0.69	(75,000)	$0.45
Exercised	(33,333)	$0.66	-	-
Outstanding at end of year	4,420,000	$0.68	3,038,333	$0.60

As at December 31, 2021, the following share purchase options were outstanding and exercisable:

Expiry date	**Outstanding and Exercisable Options**	**Weighted Average Exercise Price**	**Weighted Average Remaining contractual life (in years)**
Jan 10, 2022	133,333	$0.60	0.03
Jun 26, 2023	583,333	$0.51	1.48
Dec 4, 2023	116,667	$0.69	1.93
May 31, 2024	200,000	$0.60	2.42
Nov 5, 2025	1,300,000	$0.66	3.85
May 20, 2026	1,236,667	$0.68	4.39
Aug 3, 2021	166,666	$1.26	4.59
October 8, 2026	683,333	$0.78	4.77
	4,420,000	$0.68	3.63

The following weighted-average grant date assumptions were used in valuing share purchase options granted during the year ended December 31, 2021 to directors, officers and employees. The Company determines the fair value of options granted using the Black-Scholes model for share purchase options issued to employees. The Company determines the fair value of share purchase options issued to non-employees using the value of services provided by the non-employees.

	December 31, 2021	**December 31, 2020**
Weighted average share price	0.74	0.36
Weighted average exercise price	0.76	0.66
Risk-free interest rate	1.20%	0.38%
Expected volatility (1)	107.28%	68%
Expected years of option life (2)	5	5
Expected dividends	Nil	Nil

(1) The volatility was calculated using the Company's historical information and industry benchmarks.
(2) The effects of early exercise were not incorporated into the model as the options are expected to be held for the contractual life.

(Expressed in Canadian Dollars)

(c) Share purchase warrants

As at December 31, 2021 the Company had outstanding and exercisable share purchase warrants entitling the holders to acquire common shares as follows:

	December 31, 2021		**December 31, 2020**	
	Number of warrants	Weighted Average Exercise Price	Number of warrants	Weighted Average Exercise Price
Balance, beginning of year	7,331,195	$0.81	4,089,095	$0.60
Granted	4,842,415	$1.20	4,408,766	$0.72
Exercised	(612,807)	$0.73	-	-
Expired	(2,619,095)	$0.94	(1,166,667)	$0.90
Balance, end of year	8,941,707	$0.99	7,331,195	$0.81

As at December 31, 2021, the Company had outstanding and exercisable share purchase warrants entitling the holders to acquire common shares as follows:

Expiry date	Outstanding and Exercisable warrants	Weighted average exercise price	Weighted average remaining life (in years)
September 3, 2022	1,359,621	$0.60	0.67
September 3, 2022	33,818	$0.60	0.67
September 3, 2022	333,333	$0.66	0.67
September 3, 2022	500,000	$0.72	0.67
September 3, 2022	1,506,694	$0.84	0.67
September 3, 2022	32,492	$0.84	0.67
November 17, 2022	166,667	$1.20	0.88
April 1, 2023	1,992,000	$1.20	1.25
April 1, 2023	42,424	$0.66	1.25
April 1, 2023	9,722	$0.72	1.25
April 1, 2023	63,636	$1.20	1.25
April 27, 2023	128,250	$1.20	1.32
August 24, 2023	166,667	$0.60	1.65
June 8, 2023	925,926	$0.90	1.44
August 6, 2023	1,180,106	$1.35	1.60
August 6, 2023	41,666	$1.35	1.60
November 23, 2023	458,685	$1.44	1.90
Balance, December 31, 2021	8,941,707	$0.94	1.11

10) ACCOUNTS PAYABLE

		December 31, 2021		**December 31, 2020**
Accounts payable and accrued liabilities	$	495,321	$	119,802
	$	495,321	$	119,802

(Expressed in Canadian Dollars)

11) RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount as agreed to by the parties. Related party transactions not otherwise disclosed in these financial statements are:

		December 31, 2021		December 31, 2020
Consulting fees	$	451,025	$	290,000
Share-based compensation		657,315		313,959
	$	1,108,340	$	603,959

*Prospector Metals Corp. and Nevada King Gold Corp. has a common director namely, Craig Roberts. He is the Co-Chairman of Prospector Metals Corp. and director of Nevada King Gold Corp.

Due to/from related parties

As at December 31, 2021, amount due to/from related parties is $Nil (2020 – $10,500).

Other related party transactions

During the year ended December 31, 2021, $18,000 (2020 - $17,325) was paid for rent for a director of the Company.

12) SUPPLEMENTAL CASH FLOW INFORMATION

	2021	2020
Interest received	$24,284	$ 23,192
Interest paid	-	-

During the year ended December 31, 2021, the Company entered into the following non-cash transactions:

- The Company recognized $4,194,000 in mineral interest acquisition costs related to 6,316,667 common shares issued for mineral properties (Note 4).
- The Company closed various private placements during the year ended December 31, 2021 (Note 9). In connection with these private placements, Company issued an aggregate of 157,449 finders warrants valued at $51,244 at issuance date and issued 83,333 shares of the Company for finders' fees valued at $80,000 at issuance date. In addition, a premium was received for the flow-through shares resulting in a liability of $1,080,832 (Note 14).

During the year ended December 31, 2020, the Company entered into the following non-cash transactions:

- The Company recognized $1,257,250 in mineral interest acquisition costs related to 2,058,333 common shares issued for mineral properties (Note 4).
- The Company recognized $198,000 in the statements of loss and comprehensive loss related to 500,000 common shares received as a recovery for mineral properties (Note 4).

13) SEGMENT INFORMATION

(a) The Company operates in one industry segment (note 1).

(Expressed in Canadian Dollars)

(b) At December 31, 2021 and December 31, 2020, the Company's mineral interests were located as follows:

	December 31, 2021	December 31, 2020
Mineral interests		
British Columbia, Canada	$ 836,500	$ 415,501
Ontario, Canada	2,100,400	727,100
Quebec, Canada	1,084,145	640,350
Newfoundland, Canada	2,368,000	150,000
	$ 6,389,045	$ 1,932,951

The Company's other assets and liabilities and net expenses are attributable to its corporate office and exploration and project evaluation activities in Canada and United States.

14) FLOW THROUGH SHARE PREMIUM LIABILITY

Flow-through share premium liabilities include the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through shares issuance.

Balance at December 31, 2019	**$**	**653,163**
Settlement of flow-through share liability on incurring expenditures		(368,227)
Balance at December 31, 2020	**$**	**284,936**
Liability incurred on flow-through shares		1,080,832
Settlement of flow-through share liability on incurring expenditures		(842,777)
Balance at December 31, 2021		**$ 522,991**

In November 2019, the Company completed a non-brokered private placement of 2,177,211 flow-through shares at a price of $0.81 per share for gross proceeds of $1,763,541. A premium of $0.30 per unit was received for the flow-through shares resulting in an initial liability of $653,163.

On April 1, 2021, the Company completed a non-brokered private placement of 932,056 flow-through shares at a price of $0.72 per share for gross proceeds of $671,080. A premium of $0.15 per unit was received for the flow-through shares resulting in an initial liability of $139,808.

On April 1, 2021, the Company completed a non-brokered private placement of 238,889 flow-through shares at a price of $0.72 per share for gross proceeds of $172,000. A premium of $0.15 per unit was received for the flow-through shares resulting in an initial liability of $35,833.

On April 1, 2021, the Company completed a non-brokered private placement of 1,720,455 flow-through shares at a price of $0.66 per share for gross proceeds of $1,135,500. A premium of $0.09 per unit was received for the flow-through shares resulting in an initial liability of $154,841.

On April 1, 2021, the Company completed a non-brokered private placement of 1,092,600 flow-through shares at a price of $0.75 per share for gross proceeds of $819,450. A premium of $0.18 per unit was received for the flow-through shares resulting in an initial liability of $196,668.

On April 27, 2021, the Company completed a non-brokered private placement of 256,500 flow-through shares at a price of $0.72 per share for gross proceeds of $184,680. A premium of $0.16 per unit was received for the flow-through shares resulting in an initial liability of $30,780.

The flow-through liability is amortized to Other Income in the Statement of Loss and Comprehensive Loss, based on the percentage of the eligible expenditures incurred during the period. As at December 31, 2021, the Company has an obligation to spend $1,128,365 by December 31, 2022, by which time the outstanding flow-through share premium liability of $522,991 will be settled when these flow-through expenditures are made.

15) MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to pursue its objectives. The Company measures its capital as its shareholders' equity. The Company's primary source of capital is the issuance of equity.

The Company manages and adjusts its capital structure whenever changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding.

The Company may require additional funding to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required but recognizes there will be risks involved that may be beyond its control.

The Company expects its current capital resources will be sufficient to carry out its exploration plans and operations through at least the next twelve months. There are no external restrictions on the Company's capital.

16) FINANCIAL INSTRUMENTS AND MANAGEMENT OF FINANCIAL RISK

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Cash is carried at fair value using a Level 1 fair value measurement. The recorded values of GST receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term to maturities which is the amount presented on the statement of financial position.

The Company is exposed to credit risk, liquidity risk and interest rate risk from its financial instruments which include cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities. The Company is not exposed to significant market or other price risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short-term investments are on deposit at a major financial institution. Amounts receivable consist primarily of goods and services tax refunds due from the Government of Canada and are neither past due nor impaired. As such, the Company considers its exposure to credit risk to be minimal.

(Expressed in Canadian Dollars)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company is exposed to liquidity risk through its accounts payable, accrued liabilities and amounts due to related parties, which are all due on demand. The Company uses cash forecasts to ensure as far as possible that there is sufficient cash on hand to meet short-term business requirements. Cash is invested in highly liquid investments which are available to discharge obligations when they come due.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the fair value or future cash flows of the Company's financial instruments. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate temporary investments of varying maturities. The Company reduces the risk that it will realize a loss as a result of a decline in the fair value of these investments by limiting these investments to highly liquid securities with short-term maturities.

As at December 31, 2021, the Company estimates that a 1% change in prevailing interest rates would change the fair value of future cash flows from the Company's financial instruments by approximately $30,775 (December 31, 2020 - $2,000).

Price risk

The Company has limited exposure to price risk with respect to 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.

17) INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27% (2020 – 27%) to the income for the year and is reconciled as follows:

	Year Ended Dec 31, 2021	Year Ended Dec 31, 2019
Loss before income taxes	(5,546,416)	(3,247,780)
Statutory Canadian federal and provincial tax rates	27%	27%
Expected tax (recovery)	(1,489,000)	(877,000)
Change in statutory, foreign tax, foreign exchange rates and other	35,000	-
Permanent differences	37,000	92,000
Impact of flow through shares	898,000	232,000
Share issue cost	(69,000)	(10,000)
Adjustment to prior years provision versus statutory tax returns	(97,000)	-
Change in unrecognized deductible temporary differences	685,000	563,000
Deferred income tax expense (recovery)	-	-

The tax effects on the temporary differences that give rise to the Company's deferred tax assets and liabilities are as follows:

(Expressed in Canadian Dollars)

		2021		2020
Non-capital losses	$	3,076,000	$	2,607,000
Property and Equipment		31,000		60,000
Share issuance costs		72,000		8,000
Marketable securities		16,000		(95,000)
Exploration and evaluation assets		3,011,000		2,941,000
		6,206,000		5,521,000
Unrecognized deferred tax assets		(6,206,000)		(5,521,000)
Net deferred tax liability	$	-	$	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have been included on the statement of financial position are as follows:

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary differences				
Exploration and evaluation assets	10,575,000	No expiry date	10,303,000	No expiry date
Investment tax credit	170,000	2031 to 2033	170,000	2021 to 2040
Marketable securities	117,000	No expiry date	(707,000)	No expiry date
Property and Equipment	113,000	No expiry date	221,000	No expiry date
Share issuance costs	266,000	2042 to 2045	28,000	2040 to 2044
Non-capital losses	11,391,000	2027 to 2041	6,654,000	2026 to 2040

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

18) SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2021, the following events took place:

- On March 1, 2022, the Company issued 1,333,333 common shares relating to the acquisition of the mineral property with a fair value of $920,000. The Company had also changed the name of the Heaven Lake Project to Whitton Lake Project.

- On April 8, 2022, the Company closed private placements for gross proceeds of $3,461,772. In connection with the closing of the Private Placements, the Company issued 3,623,500 non-flow through units at a price of $0.60 per unit (each, a "Unit). Each Unit consists of one common share and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one common share of the Company at an exercise price of $0.90 for a period of two years from the date of issue. If the closing price of the Common Shares is at a price equal to or greater than $1.20 for a period of 10 consecutive trading days, the Company will have the right to accelerate the expiry date of the Warrants by giving notice, via a news release, to the holders of the Warrants that the Warrants will expire on the date that is 30 days after the issuance of said news release. In addition to the issuance of the Units, the Private Placements consisted of the issuance of 1,187,567 National flow-through shares priced at $0.72, (the "NTL FT Shares"), 213,497 Ontario flow-through shares priced at $0.75 (the "ON FT Shares"), and 363,334 Quebec flow-through shares priced at $0.75 (the "QC FT Shares").

- 133,333 options expired unexercised.

- On April 21, 2022, the Company granted a total of 1,000,000 incentive stock options to directors, officers, and consultants of the Company. Each option is exercisable to purchase one common share of the Company for five years at a price of C$0.62 per common share in accordance with the terms of the Company's stock option plan.