Gatling Exploration Inc.

Condensed Interim Financial Statements

Nine Months Ended December 31, 2021

(Unaudited – Expressed in Canadian Dollars)

Gatling Exploration Inc.

Nine Months Ended December 31, 2021

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

February 28, 2022

Gatling Exploration Inc.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2021	March 31, 2021
	(unaudited)	
Assets		
Current		
Cash and cash equivalents	$ 7,966	$ 1,875,290
Receivables (note 12)	176,792	179,926
Prepaid expenses (note 12)	27,047	104,093
	211,805	2,159,309
Non-current		
Property, plant and equipment (note 7)	126,273	139,744
Right-of-use asset (note 9)	102,445	217,696
	$ 440,523	$ 2,516,749
Liabilities		
Current		
Accounts payable and accrued liabilities (note 12)	$ 2,125,334	$ 734,620
Lease obligation – current portion (note 10)	123,880	169,827
Other liabilities (note 11)	-	132,449
Loans payable (note 12)	85,000	-
	2,334,214	1,036,896
Non-current		
Lease obligation (note 10)	-	80,275
	2,334,214	1,117,171
Shareholders' Equity (Deficiency)		
Share Capital (note 13)	22,956,497	20,762,494
Share-based Payments Reserve (note 13)	1,605,061	2,120,332
Deficit	(26,455,249)	(21,483,248)
	(1,893,691)	1,399,578
	$ 440,523	$ 2,516,749

Going Concern (note 2)
Commitments (note 15)
Subsequent Events (note 16)

Approved on behalf of the Board:

"Richard Boulay" ……………………………… Director Richard Boulay

"Nav Dhaliwal" ……………………………… Director Nav Dhaliwal

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

Gatling Exploration Inc.
Condensed Interim Statements of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2020
Expenses				
Consulting fees (note 12)	$ 102,862	$ 196,500	$ 341,889	$ 623,250
Depreciation (notes 7 and 9)	42,150	42,734	126,449	128,203
Exploration and evaluation expenditures (notes 7, 8 and 12)	1,049,815	1,274,239	4,751,227	2,492,799
Foreign exchange loss	4	3	2,192	3,516
Lease interest accretion (note 10)	4,118	8,970	16,158	30,192
Management fees (note 12)	60,000	55,000	180,000	145,000
Office and general (note 12)	35,196	31,941	122,957	77,937
Professional fees (note 12)	39,398	64,144	128,350	138,557
Rent recovery (note 12)	(8,937)	(22,003)	(45,319)	(50,122)
Share-based payments (notes 12 and 13)	-	251,517	215,337	797,356
Shareholder communications and investor relations	30,640	154,949	153,528	391,743
Transfer agent and filing fees	10,065	19,500	23,740	26,296
Travel (recovery)	(1,153)	2,315	(739)	6,945
Loss Before Other Items	(1,364,158)	(2,079,809)	(6,015,769)	(4,811,672)
Other Items				
Other income (note 11)	-	142,164	299,799	276,185
Interest income	-	173	1,745	996
Net Loss and Comprehensive Loss for the Period	$ (1,364,158)	$ (1,937,472)	$ (5,714,225)	$ (4,534,491)
Basic and Diluted Loss Per Share	$ (0.03)	$ (0.06)	$ (0.13)	$ (0.16)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	45,399,816	32,250,272	45,314,543	28,532,614

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

Gatling Exploration Inc.
Condensed Interim Statements of Changes in Equity (Deficiency)
(Unaudited – Expressed in Canadian Dollars)

	Share Capital								
	Number of Shares		Share Capital		Share-based Payments Reserve		Deficit		Total
Balance, March 31, 2020	**23,840,676**	**$**	**13,117,320**	**$**	**1,200,083**	**$**	**(15,263,245)**	**$**	**(945,842)**
Private placements	15,912,140		8,433,427		-		-		8,433,427
Share issuance costs	-		(310,896)		57,077		-		(253,819)
Flow-through liability	-		(477,357)		-		-		(477,357)
Stock options granted	-		-		797,356		-		797,356
Net loss and comprehensive loss for the period	-		-		-		(4,534,491)		(4,534,491)
Balance, December 31, 2020	**39,752,816**		**20,762,494**		**2,054,516**		**(19,797,736)**		**3,019,274**
Stock options granted	-		-		94,544		-		94,544
Transfer of stock option fair value on expiry	-		-		(28,728)		28,728		-
Net loss and comprehensive loss for the period	-		-		-		(1,714,240)		(1,714,240)
Balance, March 31, 2021	**39,752,816**		**20,762,494**		**2,120,332**		**(21,483,248)**		**1,399,578**
Private placements	5,397,000		2,326,150		-		-		2,326,150
Share issuance costs	-		(61,797)		11,616		-		(50,181)
Flow-through liability	-		(167,350)		-		-		(167,350)
Shares issued for exploration and evaluation expenditures	250,000		97,000		-		-		97,000
Stock options granted	-		-		215,337		-		215,337
Transfer of stock option fair value on expiry	-		-		(742,224)		742,224		-
Net loss and comprehensive loss for the period	-		-		-		(5,714,225)		(5,714,225)
Balance, December 31, 2021	**45,399,816**	**$**	**22,956,497**	**$**	**1,605,061**	**$**	**(26,455,249)**	**$**	**(1,893,691)**

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

Gatling Exploration Inc.
Condensed Interim Statements of Cash Flows
For the Nine Months Ended December 31,
(Unaudited – Expressed in Canadian Dollars)

	2021	2020
Operating Activities		
Net loss for the period	$ (5,714,225)	$ (4,534,491)
Items not involving cash		
Depreciation	129,113	130,867
Lease interest accretion	16,158	30,192
Share-based payments	215,337	797,356
Shares issued for exploration and evaluation expenditures	97,000	-
Other income	(299,799)	(276,185)
Changes in non-cash working capital		
Receivables	3,134	21,063
Prepaid expenses	77,046	26,197
Accounts payable and accrued liabilities	1,390,714	(779,631)
Cash Used in Operating Activities	(4,085,522)	(4,584,632)
Investing Activity		
Purchase of property, plant and equipment	(391)	-
Cash Used in Investing Activity	(391)	-
Financing Activities		
Shares issued for cash	2,326,150	8,433,427
Share issuance costs	(50,181)	(253,819)
Repayments of lease obligation	(142,380)	(138,986)
Proceeds from loan payable	85,000	-
Cash Provided by Financing Activities	2,218,589	8,040,622
Inflow (Outflow) of Cash	(1,867,324)	3,455,990
Cash and Cash Equivalents, Beginning of Period	1,875,290	23,813
Cash and Cash Equivalents, End of Period	$ 7,966	$ 3,479,803
Cash and Cash Equivalents		
Cash	$ 7,966	$ 979,803
Term deposits	-	2,500,000
	$ 7,966	$ 3,479,803
Supplemental Disclosure with Respect to Cash Flows		
Income tax paid	$ -	$ -
Interest received	$ 1,745	$ 996
Interest paid	$ 17,408	$ 31,269

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

1. NATURE OF OPERATIONS

Gatling Exploration Inc. (the "Company") is an exploration stage company incorporated on August 2, 2018, under the laws of the province of British Columbia, Canada. Its principal business activity is the acquisition, exploration and evaluation of mineral properties located in the province of Ontario, Canada. The Company's common shares are traded on the TSX Venture Exchange under the symbol "GTR". The Company's shares also trade on the OTC Exchange in the United States under the symbol "GATGF". The Company's head office and principal business address is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

On December 14, 2020, the Company consolidated it common shares on the basis of one new share for two old shares. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred a loss during the nine months ended December 31, 2021 of $5,714,225 (2020 - $4,534,491) and as at December 31, 2021 has a deficit of $26,455,249 (March 31, 2021 - $21,483,248), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. There can be no assurance that management will obtain the necessary financing in the future.

If the going concern assumption were not appropriate for these condensed interim financial statements, then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

In March 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

3. BASIS OF PREPARATION (Continued)

a) Statement of compliance (continued)

The condensed interim financial statements of the Company should be read in conjunction with the Company's March 31, 2021 audited financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 28, 2022.

b) Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies (note 4). These condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 4 to the audited financial statements for the year ended March 31, 2021.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next fiscal year are discussed below.

a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) Income taxes

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

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

c) Going concern risk assessment

The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its exploration and evaluation projects when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These condensed interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the condensed interim financial statements.

a) Decommissioning liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made that management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs, which will reflect the market condition at the time the rehabilitation costs are actually incurred.

(Unaudited – Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

a) Decommissioning liabilities (continued)

The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at December 31, 2021, the Company is contributing to shared progressive rehabilitation costs on certain of its claims on an ongoing basis. Costs have not been material to date and future costs are not expected to be material. Accordingly, no provision has been made.

b) Fair value of stock options granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the period. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

c) Leases

Lease obligations that are recognized at December 31, 2021 have been estimated using a 12% discount rate based on the cost of borrowing for debt instruments of comparable terms for companies with a comparable investment grade to the Company. This rate represents the rate that the Company would incur to obtain the funds necessary to purchase an asset of a similar value, with similar payment terms and security in a similar economic environment.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as fair value through profit or loss; receivables, as amortized cost; and accounts payable and accrued liabilities and lease obligation, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy:

December 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 7,966	$ -	$ -	$ 7,966

March 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 1,875,290	$ -	$ -	$ 1,875,290

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

6. FINANCIAL INSTRUMENTS (Continued)

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing at major Canadian financial institutions. The Company has minimal credit risk. Included in the receivables balance is $176,792 (March 31, 2021 - $149,276) owing from the Canada Revenue Agency.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2021 equal $2,334,214 (March 31, 2021 - $1,117,171); $2,140,137 (March 31, 2021 - $904,447) of the liabilities presented as accounts payable and lease obligation – current portion are due within one month of the reporting date.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) *Currency risk* – The Company has no funds held in a foreign currency and only a small amount of its accounts payable and accrued liabilities is denominated in US dollars. A fluctuation in the exchange rate between the Canadian and US dollars of 10% would result in a nominal change to the Company's accounts payable and accrued liabilities and foreign exchange gain or loss. The Company does not use any techniques to mitigate currency risk.

ii) *Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

iii) *Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

(Unaudited – Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital management (continued)

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the nine months ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

7. PROPERTY, PLANT AND EQUIPMENT

	Camp and Infrastructure	Computer Equipment	Equipment	Leasehold Improvements	Total
Cost					
Balance, March 31, 2020	$ 106,604	$ 25,920	$ 24,051	$ 21,923	$ 178,498
Additions	-	1,700	-	-	1,700
Balance, March 31, 2021	106,604	27,620	24,051	21,923	180,198
Additions	-	391	-	-	391
Balance, December 31, 2021	$ 106,604	$ 28,011	$ 24,051	$ 21,923	$ 180,589
Depreciation					
Balance, March 31, 2020	$ 6,216	$ 3,888	$ 2,853	$ 6,420	$ 19,377
Depreciation*	3,552	6,865	4,240	6,420	21,077
Balance, March 31, 2021	9,768	10,753	7,093	12,840	40,454
Depreciation*	2,664	3,839	2,544	4,815	13,862
Balance, December 31, 2021	$ 12,432	$ 14,592	$ 9,637	$ 17,655	$ 54,316
Net book value, March 31, 2021	$ 96,836	$ 16,867	$ 16,958	$ 9,083	$ 139,744
Net book value, December 31, 2021	$ 94,172	$ 13,419	$ 14,414	$ 4,268	$ 126,273

* Camp and infrastructure depreciation is included in exploration and evaluation expenditures

8. EXPLORATION AND EVALUATION EXPENDITURES

Larder Lake Project

On September 24, 2018, as part of a plan of arrangement, the Company received a 100% interest in the Larder Lake Project, located in Ontario. A portion of the project includes a 1.5% net smelter return royalty ("NSR"), of which 1% may be repurchased by the Company for $750,000. The plan of arrangement was deemed to be a purchase of an asset. As such, IFRS 2 *Share-based Payments* was used to determine the fair value of the assets acquired. As the fair value of the assets given up to acquire the assets was more readily available, the Company valued the acquisition using the fair value of shares issued of $0.56 per share. On September 24, 2018, the fair value of the assets acquired and liabilities assumed were as follows.

(Unaudited – Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Larder Lake Project (continued)

		Amount
Consideration provided (fair value of 16,713,256 common shares at $0.56 per share)	$	9,359,423
Allocated to net assets acquired:		
Cash transferred to Company		(7,000,000)
Fair value of Larder Lake Project acquired		(2,359,423)
	$	-

Fair value of $2,359,423 was allocated to the project and expensed for the period as exploration and evaluation costs.

On April 1, 2019, the Company entered into an assignment and assumption agreement to acquire the Kir Vit claim package in Ontario. Under the terms of the agreement, the Company took assignment of a January 2017 underlying agreement between the vendor and certain parties that originally staked the claims comprising Kir Vit (the "stakers"). In consideration of the assignment, the Company issued 875,000 common shares to the vendor valued at $595,000.

On July 9, 2019, the Company exercised the option in the underlying agreement and made a cash payment of $250,000 to the stakers. The vendor was granted a 0.5% NSR. The stakers retained a 2% NSR, of which the Company may repurchase one-half (1%) for $1,000,000. If the Company announces a production decision, a $4,000,000 payment is due to the vendor and a $250,000 payment is due to the stakers.

On July 14, 2021, the Company issued 150,000 common shares (valued at $60,000) to acquire a 25% interest in certain mining leases on the Larder Lake Project, such that the Company now holds 100% in those mining leases.

On September 27, 2021, in relation to the Company's exploration agreement with First Nations' groups related to the Company's Larder Lake Project, the Company issued 100,000 common shares (valued at $37,000) and 100,000 stock options (valued at $31,838) with an exercise price of $0.365 and a term to expiry of three years to the First Nations' groups.

(Unaudited – Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Summaries of exploration and evaluation expenditures for the nine months ended December 31, 2021 and year ended March 31, 2021 are as follows:

Nine Months Ended December 31, 2021		Larder Lake Project
Acquisition Costs		
Acquisition costs	$	60,000
Claim costs		42,389
Total Acquisition Costs		**102,389**
Property Exploration Costs		
Assays and geochemistry		415,319
Camp and other costs		284,718
Depreciation		2,664
Drilling		3,520,950
Environmental		23,061
Geological		335,559
Geophysics		8,911
Travel and transport		57,656
Total Exploration Costs		**4,648,838**
Total Exploration and Evaluation Expenditures	**$**	**4,751,227**

Year Ended March 31, 2021		Larder Lake Project
Acquisition Costs		
Claim costs	$	37,319
Total Acquisition Costs		**37,319**
Property Exploration Costs		
Assays and geochemistry		328,841
Camp and other costs		363,681
Depreciation		3,552
Drilling		2,251,474
Geological		695,076
Geophysics		3,394
Travel and transport		39,362
Total Exploration Costs		**3,685,380**
Total Exploration and Evaluation Expenditures	**$**	**3,722,699**

(Unaudited – Expressed in Canadian Dollars)

9. RIGHT-OF-USE ASSET

		Right-of-Use Asset
Cost		
Balance, March 31, 2020, March 31, 2021 and December 31, 2021	$	525,030
Depreciation		
Balance, March 31, 2020	$	153,667
Depreciation		153,667
Balance, March 31, 2021		307,334
Depreciation		115,251
Balance, December 31, 2021	$	422,585
Net book value, March 31, 2021	$	217,696
Net book value, December 31, 2021	$	102,445

10. LEASE OBLIGATION

		December 31, 2021		March 31, 2021
Balance, beginning of period	$	250,102	$	398,035
Lease interest accretion		16,158		38,010
Lease payments		(142,380)		(185,943)
Balance, end of period		123,880		250,102
Current portion		(123,880)		(169,827)
Non-current portion	$	-	$	80,275

11. OTHER LIABILITIES

Other liabilities consist of the liability portion of the flow-through shares issued. The following is a continuity schedule of the liability portion of the flow-through share issuances.

		December 31, 2021		March 31, 2021
Balance, beginning of period	$	132,449	$	-
Liability incurred on flow-through shares issued in July 2020		-		202,500
Liability incurred on flow-through shares issued in December 2020		-		274,857
Liability incurred on flow-through shares issued in July 2021		167,350		-
Settlement of flow-through share liability by incurring expenditures		(299,799)		(344,908)
Balance, end of period	$	-	$	132,449

(Unaudited – Expressed in Canadian Dollars)

11. OTHER LIABILITIES (Continued)

In July 2020, the Company issued 2,025,000 flow-through shares at a price of $0.60 per share. The premium paid by investors was calculated as $0.10 per share. Accordingly, $202,500 was recorded as other liabilities.

In December 2020, the Company issued 5,497,140 flow-through shares at a price of $0.55 per share. The premium paid by investors was calculated as $0.05 per share. Accordingly, $274,857 was recorded as other liabilities.

In July 2021, the Company issued 3,347,000 flow-through shares at a price of $0.45 per share. The premium paid by investors was calculated as $0.05 per share. Accordingly, $167,350 was recorded as other liabilities.

As at December 31, 2021, the Company did not have any remaining commitment to incur exploration expenditures in relation to its July 2021, December 2020 or July 2020 flow-through financings (March 31, 2021 - $nil, $1,456,944 and $nil, respectively).

12. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of comprehensive loss:

	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2020
Short-term compensation (consulting fees, exploration and evaluation expenditures, management fees and professional fees)	$ 585,000	$ 625,000
Share-based compensation	137,374	399,849
	$ 722,374	$ 1,024,849

During the nine months ended December 31, 2021, short-term compensation to related parties consisted of $247,500 (2020 - $187,500) in consulting fees, $90,000 (2020 - $225,000) in exploration and evaluation expenditures, $180,000 (2020 - $145,000) in management fees and $67,500 (2020 - $67,500) in professional fees.

Transactions with related parties are included in the amounts shown on the condensed interim statements of comprehensive loss as follows:

	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2020
Related company controlled by officer and director (consulting fees and office and general)	$ 67,500	$ 70,000
Related companies with common officers and directors (rent recovery)	$ 133,000	$ 133,000
Related company in which an officer is a director (exploration and evaluation expenditures)	$ -	$ 115,000

12. RELATED PARTY TRANSACTIONS (Continued)

As at December 31, 2021, the Company had receivables of $nil (March 31, 2021 - $30,650) related to office rent recovery and other expense reimbursements from companies with common officers and directors.

As at December 31, 2021, the Company had prepaid expenses of $nil (March 31, 2021 - $7,000) related to expenses with a company controlled by a member of key management.

As at December 31, 2021, the Company had accounts payable and accrued liabilities of $228,053 (March 31, 2021 - $5,000) with companies controlled by officers and directors and $51,079 (March 31, 2021 - $7,116) related to shared office and general expenses with a company controlled by an officer and director. The balances owing are unsecured, non-interest-bearing and have no specific terms of repayment.

As at December 31, 2021, the balance of loans payable of $85,000 (March 31, 2021 - $nil) is due to a company controlled by an officer and director. The loans are unsecured, non-interest-bearing and due on demand.

13. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value

b) Issued and outstanding

During the nine months ended December 31, 2021

On July 9, 2021, the Company closed a private placement for gross proceeds of $2,326,150. The Company issued 2,050,000 units at a price of $0.40 per unit for gross proceeds of $820,000. Each unit consists of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.60 for a period of two years from the date of issuance. The Company also issued 3,347,000 flow-through common shares at a price of $0.45 per share for gross proceeds of $1,506,150. The premium paid by investors on the flow-through shares was calculated as $0.05 per share. Accordingly, $167,350 was recorded as other liabilities. The Company paid finders' fees of $37,800 and issued 94,500 agent warrants with an exercise price of $0.60 and a term to expiry of two years (note 13(d)). The Company also incurred other share issuance costs of $12,381.

During the year ended March 31, 2021

On July 20, 2020, the Company closed a private placement for total gross proceeds of $3,790,000. The Company issued 2,025,000 flow-through common shares of the Company at a price of $0.60 per flow-through common share for gross proceeds of $1,215,000 and 5,150,000 common shares of the Company at a price of $0.50 per common share for gross proceeds of $2,575,000. The premium paid by investors on the flow-through shares was calculated as $0.10 per share. Accordingly, $202,500 was recorded as other liabilities. Share issuance costs of $28,837 were incurred.

(Unaudited – Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

During the year ended March 31, 2021 (continued)

On December 18, 2020, the Company closed a private placement for gross proceeds of $4,643,427. The Company issued 3,240,000 units at a price of $0.50 per unit for gross proceeds of $1,620,000. Each unit consists of one common share and one-half of one share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.70 for a period of two years from the date of issuance. The Company also issued 5,497,140 flow-through common shares at a price of $0.55 per share for gross proceeds of $3,023,427. The premium paid by investors on the flow-through shares was calculated as $0.05 per share. Accordingly, $274,857 was recorded as other liabilities. The Company paid finders' fees of $63,600 and issued 397,512 agent warrants with an exercise price of $0.70 and a term to expiry of two years (note 13(d)). The Company also incurred other share issuance costs of $161,382.

c) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of ten years, and the term will be reduced to one year following the date of death of the optionee. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities.

Options granted for investor relations activities vest over a twelve-month period with no more than 25% of the options vesting in any three-month period.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Nine Months Ended December 31, 2021		**Year Ended March 31, 2021**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	3,857,250	$ 0.55	2,107,250	$ 0.53
Granted	685,600	$ 0.37	1,850,000	$ 0.57
Expired	(1,357,250)	$ 0.42	(100,000)	$ 0.68
Outstanding, end of period	3,185,600	$ 0.56	3,857,250	$ 0.55

(Unaudited – Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

c) Stock options (continued)

The following stock options were outstanding and exercisable at December 31, 2021:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
February 13, 2022*	0.12	$ 0.66	500,000	500,000
February 27, 2022*	0.16	$ 0.62	125,000	125,000
August 1, 2022	0.58	$ 0.78	50,000	50,000
September 16, 2022	0.71	$ 1.16	100,000	100,000
July 22, 2023	1.56	$ 0.68	825,000	825,000
December 21, 2023	1.97	$ 0.45	650,000	650,000
January 20, 2024	2.05	$ 0.44	250,000	250,000
July 20, 2024	2.55	$ 0.37	100,000	100,000
August 12, 2024	2.62	$ 0.37	585,600	585,600
	1.58		3,185,600	3,185,600

* See note 16

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, share-based payments of $215,337 (2020 - $797,356) were recognized during the nine months ended December 31, 2021.

The fair value of each stock option granted was calculated using the following weighted average assumptions:

	Nine Months Ended December 31, 2021	Year Ended March 31, 2021
Expected life (years)	3.00	3.00
Risk-free interest rate	0.58%	0.27%
Annualized volatility	170%	170%
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.37	$ 0.56
Exercise price	$ 0.37	$ 0.57
Weighted average grant date fair value	$ 0.31	$ 0.48

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility and the volatility of a comparable company to estimate the volatility of the share price.

During the nine months ended December 31, 2021, the Company transferred $742,224 (2020 - $nil) from the share-based payments reserve to deficit upon the expiration of 1,357,250 (2020 - nil) stock options.

(Unaudited – Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Nine Months Ended December 31, 2021		**Year Ended March 31, 2021**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,017,512	$ 0.70	-	-
Granted	1,119,500	$ 0.60	2,017,512	$ 0.70
Outstanding, end of period	3,137,012	$ 0.66	2,017,512	$ 0.70

The following warrants were outstanding and exercisable at December 31, 2021:

Expiry Date	**Weighted Average Remaining Contractual Life in Years**	**Exercise Price**	**Exercisable**
December 18, 2022	0.96	$ 0.70	2,017,512
July 9, 2023	1.52	$ 0.60	1,119,500
	1.16		3,137,012

The Company applies the residual method in accounting for its warrants issued through private placements. Accordingly, $nil was recorded for the 1,620,000 warrants issued on December 18, 2020 and $nil for the 1,025,000 warrants issued on July 9, 2021.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its broker warrants granted. Accordingly, share issuance costs of $11,616 (2020 - $57,077) were recognized during the nine months ended December 31, 2021 upon the grant of 94,500 (2020 - 397,512) broker warrants.

The fair value of each warrant granted was calculated using the following weighted average assumptions:

	Nine Months Ended December 31, 2021	**Year Ended March 31, 2021**
Expected life (years)	2.00	2.00
Risk-free interest rate	0.48%	0.29%
Annualized volatility	75%	82%
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.41	$ 0.45
Exercise price	$ 0.60	$ 0.70
Weighted average grant date fair value	$ 0.12	$ 0.14

(Unaudited – Expressed in Canadian Dollars)

13. SHARE CAPITAL (Continued)

d) Warrants (continued)

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used historical volatility and the volatility of a comparable company to estimate the volatility of the share price.

14. SEGMENTED DISCLOSURE

The Company has one operating segment, being mineral exploration and development. All of the Company's assets are located in Canada.

15. COMMITMENTS

a) The Company has entered into agreements with officers and directors that include termination and change of control clauses. In the case of termination without cause, the officers and directors are entitled to an amount equal to a multiple (ranging from one to two times) the annual base fee payable. In the case of a change of control, the officers and directors are entitled to an amount equal to a multiple (ranging from one to three times) the sum of the annual base fee and minimum incentive fee payable. As at December 31, 2021, the total annual base fee of the officers and directors under the agreements is $780,000 and the total annual minimum incentive fee is $110,000.

b) The Company entered into an office sublease agreement that commenced March 1, 2019 and expires August 30, 2022 with remaining basic rent per fiscal year approximately as follows:

Fiscal 2022	$	48,000
Fiscal 2023		80,000
	$	128,000

16. SUBSEQUENT EVENTS

On February 13, 2022 and February 27, 2022, 500,000 and 125,000 stock options expired unexercised, respectively.