

**CIRRUS GOLD CORP.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**  
(Expressed in Canadian Dollars)

## Independent Auditor's Report

To the Shareholders of Cirrus Gold Corp.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Cirrus Gold Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year ended December 31, 2021 and the period from February 5, 2020 (date of incorporation) to December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 year ended December 31, 2021 and for the period from February 5, 2020 (date of incorporation) to December 31, 2020 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 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 financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that Cirrus Gold Corp. is generating negative cash flows from operating activities and has an accumulated operating deficit of \$168,511 as at December 31, 2021. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on Cirrus Gold Corp.'s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information, and in doing so, to consider whether the other information is materially inconsistent with either the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern assumption and to 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 Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit conducted 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 James D. Gray.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

## **Chartered Professional Accountants**

Vancouver, BC, Canada  
April 28, 2022

**CIRRUS GOLD CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 194,657	\$ 176,256
Prepaid expenses	4,515	-
GST receivable	11,455	-
	<u>210,627</u>	<u>176,256</u>
<b>Exploration and evaluation assets (Note 3)</b>	<u>187,713</u>	<u>114,101</u>
	<u>\$ 398,340</u>	<u>\$ 290,357</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 12,214	\$ 51,867
<b>Non-current</b>		
Deferred income taxes	-	5,088
	<u>12,214</u>	<u>56,955</u>
<b>Shareholders' equity</b>		
Share capital (Note 6)	474,306	275,350
Contributed surplus (Note 5, 6)	80,331	30,000
Deficit	(168,511)	(71,948)
	<u>386,126</u>	<u>233,402</u>
	<u>\$ 398,340</u>	<u>\$ 290,357</u>

Nature of operations and going concern (Note 1)

Subsequent events (Note 11)

On behalf of the Board

On April 28, 2022

"James Walchuck"

Director

"Stuart Ross"

Director

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

**CIRRUS GOLD CORP.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

	For the Year Ended December 31, 2021	From February 5, 2020 (date of incorporation) to December 31, 2020
<b>EXPENSES</b>		
Consulting fees	\$ 30,000	\$ 15,388
Office	2,570	564
Professional fees	20,773	17,830
Rent	6,000	3,078
Share-based compensation (Note 5,6)	32,020	30,000
Regulatory and transfer agent	10,288	-
	<u>(101,651)</u>	<u>(66,860)</u>
Deferred income tax recovered (expense)	5,088	(5,088)
<b>Loss and comprehensive loss for the period</b>	<u>(96,563)</u>	<u>(71,948)</u>
<b>Loss per common share</b>		
-Basic and diluted	\$ (0.01)	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>		
-Basic and diluted	12,316,507	4,481,136

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

**CIRRUS GOLD CORP.**  
**STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)

	For the Year Ended December 31, 2021	From February 5, 2020 (date of incorporation) to December 31, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (96,563)	\$ (71,948)
Items not involving cash:		
Share-based compensation	32,020	30,000
Deferred income tax (recovery) expense	(5,088)	5,088
Changes in non-cash working capital items:		
Increase in GST receivable	(11,455)	-
Increase in prepaids	(4,515)	-
Increase (decrease) in accounts payable and accrued liabilities	(14,210)	26,030
Net cash used in operating activities	<u>(99,811)</u>	<u>(10,830)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Exploration and evaluation assets	(91,555)	(85,264)
Net cash used in investing activity	<u>(91,555)</u>	<u>(85,264)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from the issuance of shares, net of issue costs	209,767	272,350
Net cash provided by financing activity	<u>209,767</u>	<u>272,350</u>
<b>Net increase in cash during the period</b>	18,401	176,256
<b>Cash, beginning of the period</b>	176,256	-
<b>Cash, end of the period</b>	<u>\$ 194,657</u>	<u>\$ 176,256</u>

Supplemental disclosure with respect to cash flows (Note 7)

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

**CIRRUS GOLD CORP.****STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian Dollars)

	Share Capital		Contributed Surplus	Deficit	Total
	Number of shares	Amount			
Incorporation February 5, 2020	-	\$ -	\$ -	\$ -	-
Shares issued for cash	10,475,000	290,500	-	-	290,500
Share issue costs	-	(18,150)	-	-	(18,150)
Shares issued pursuant to option agreement	150,000	3,000	-	-	3,000
Share-based compensation	-	-	30,000	-	30,000
Loss for the period	-	-	-	(71,948)	(71,948)
Balance, December 31, 2020	10,625,000	\$ 275,350	\$ 30,000	\$ (71,948)	\$ 233,402
Shares issued pursuant to option agreement (Note 3)	150,000	7,500	-	-	7,500
Shares issued for cash	3,500,000	350,000	-	-	350,000
Share issue costs	-	(150,233)	-	-	(150,233)
Agent warrants	-	(18,311)	18,311	-	-
Commission shares	100,000	10,000	-	-	10,000
Share-based compensation (Notes 5, 6)	-	-	32,020	-	32,020
Loss for the year	-	-	-	(96,563)	(96,563)
Balance, December 31, 2021	14,375,000	\$ 474,306	\$ 80,331	\$ (168,511)	\$ 386,126

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Cirrus Gold Corp. (the “Company”) was incorporated on February 5, 2020, under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 2710 – 200 Granville Street Vancouver, British Columbia, Canada. To date, the Company has not earned operating revenue.

The Company is in the process of acquiring and exploring exploration and evaluation assets and has not yet determined whether such properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

As at December 31, 2021, the Company has generated negative cash flows from operating activities and has an accumulated deficit of \$168,511. The Company expects to incur further losses in the development of its operations. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing or generating sufficient revenues to cover its operating costs. These factors indicate the existence of material uncertainties that may cast significant doubt as to the Company’s ability to continue as a going concern.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be 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 these financial statements.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, social distancing, Government response actions, business closures and business disruptions, can all have an impact on the Company’s operations and access to capital. There can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity and thereby severely limit the financing capital available to the Company.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These financial statements have been prepared in accordance with IAS 1 ‘Presentation of Financial Statements’ (“IAS 1”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were authorized for issue by the Board of Directors on April 28, 2022.

### Basis of presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. If estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

**Flow-through shares**

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. Any premium obtained on the issue of the flow-through shares, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carryforwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

**Foreign currency**

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

**Income 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 financial statements date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby 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 laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

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.

**Financial instruments**

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

ii) Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company’s accounts payable and accrued liabilities are carried at amortized cost.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations in the period in which they arise. The Company’s cash is classified as FVTPL.

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

**Significant accounting estimates and judgments**

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amount of revenues and expenses during the reporting year. Actual results could differ from these estimates. Estimates and underlying assumptions

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant accounts that require estimates as the basis for determining the stated amounts include evaluating the potential impairment of exploration and evaluation assets and share-based payments.

### Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessment of economic recoverability and probability of future economic benefits, including geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

### Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

### **Impairment**

At the end of each reporting period, the carrying amounts of the Company's 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 in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organization.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount does not exceed what the amortized cost would have been had the impairment not been recognized.

**Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. The fair value of common shares issued is measured with reference to the value associated with cash financings involving arm's-length parties.

**Share-based compensation**

The fair value of options or compensatory warrants granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services like those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserve to share capital.

The fair value of options granted is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value is measured using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based compensation to non-employees, who are not providing similar services to employees, are measured at the grant date by using the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services received cannot be reliably measured, and are recorded at the date the goods or services are received.

**Related party transactions**

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****Provisions***Rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for rehabilitation obligation is recognized at its fair value in the year in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with rehabilitation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these rehabilitation costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time and changes in the estimated future cash flows underlying any initial estimates.

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss.

The Company had no rehabilitation obligations for the periods presented.

**Earnings (loss) per share**

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is not presented as the effect on loss per share is anti-dilutive.

**Future changes in accounting policy**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended December 31, 2021 and have not been applied in preparing the financial statements. These new standards are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**3. EXPLORATION AND EVALUATION ASSETS**

	<b>2021</b>	2020
Balance at the beginning of the year	\$ 114,101	\$ -
Acquisition costs:		
Cash	25,000	7,260
Shares	7,500	3,000
	32,500	10,260
Deferred exploration costs:		
Geological	-	5,593
Geophysical	-	20,101
Consulting	25,521	40,905
Report preparation	-	10,920
Assay	3,775	8,804
Field	11,816	17,518
Total expenditures for the year	41,112	103,841
<b>Balance December 31,</b>	<b>\$ 187,713</b>	<b>\$ 114,101</b>

**3. EXPLORATION AND EVALUATION ASSETS (cont'd...)****Chuchi South Project**

Pursuant to an option agreement dated February 10, 2020, the Company was granted an option to acquire a 100% undivided interest in the Chuchi South Project (the "Property") in the Omineca Mining Division, British Columbia. To exercise the option the Company must pay \$510,000 in cash, incur \$350,000 in exploration expenditures, reimburse the Optionor for \$20,000 in previous property expenditures (paid) and issue 1,500,000 common shares over a 5-year period as follows:

	Option Payments	Exploration Expenditures (** - Actual *** – Future requirement)	Common Shares
Within five calendar days of the Effective date, February 13, 2020 (paid)	\$ 5,000	\$ -	-
On or before March 15, 2020 (issued)	-	-	150,000
On or before February 13, 2021 (paid, incurred and issued)	25,000	(**) 64,570	150,000
On or before February 13, 2022(*)	30,000	(**) 54,145	200,000
On or before February 13, 2023	50,000	(***) 231,285	1,000,000
On or before February 13, 2024	50,000	-	-
On or before February 13, 2025	350,000	-	-
<b>Total</b>	<b>\$ 510,000</b>	<b>\$ 350,000</b>	<b>1,500,000</b>

\* extended to March 31, 2022. Subsequent to year-end, this option payment was made and the shares issued. An aggregate of \$81,285 in deficient exploration expenditures were also added to the current commitment to be completed by February 13, 2023 (\$231,285).

Pursuant to the Option Agreement the optionor will receive a 2.0% Net Smelter Return ("NSR") royalty and the Company has the right at any time to purchase the NSR for \$1,500,000.

On February 13, 2028 and each subsequent anniversary until Commercial Production begins, the Company will pay the optionor an advance royalty payment of \$25,000, where the cumulative advance royalty payments paid will be credited towards any future NSR payments due.

The Company will pay to the optionor \$1,500,000 upon completion of a feasibility study resulting in a positive decision to commence commercial production on the Property.

**4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	December 31, 2021	December 30, 2020
Trade payables	\$ 2,214	\$ 45,867
Accrued liabilities	10,000	6,000
	<b>\$ 12,214</b>	<b>\$ 51,867</b>

**5. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

**5. RELATED PARTY TRANSACTIONS (cont'd...)**

The Company incurred share-based compensation of \$27,217 with key management personnel during year ended December 30, 2021 (December 31, 2020 - \$30,000).

**6. SHARE CAPITAL AND RESERVES**

Authorized – Unlimited common shares without par value

During the year ended December 31, 2021, the Company had the following share capital transactions:

- (1) On February 10, 2021, the Company issued 150,000 common shares at a price of \$0.05 per common share for the acquisition of exploration and evaluation assets at a value of \$7,500.
- (2) On July 26, 2021, the Company completed its Initial Public Offering and issued 3,500,000 common shares at a price of \$0.10 per share for gross proceeds of \$350,000. In connection with the offering, the Company paid the agent a cash finders fees of \$35,000, issued 350,000 agent warrants valued at \$18,311 and paid cash corporate finance fee of \$30,000 and issued 100,000 common shares valued at \$10,000. Each agent warrant is exercisable at an exercise price of \$0.10 per agent warrant to July 26, 2023. Additional share issue costs of \$75,233 were incurred in connection with this financing, and was recorded as an offset to share capital, as share issue costs.

During the year ended December 31, 2020, the Company had the following share capital transactions:

- (1) On February 5, 2020, the Company issued 1 share on incorporation for proceeds of \$1. This share was subsequently repurchased by the Company and cancelled on February 5, 2020.
- (2) On February 5, 2020, the Company issued 2,000,000 common shares at a price of \$0.005 per common share for gross proceeds of \$10,000. The fair value of the common shares was estimated to be \$40,000. Accordingly, the Company recorded share-based compensation of \$30,000 and a corresponding increase to contributed surplus. Refer also to Note 4.
- (3) On March 10, 2020, the Company issued 150,000 common shares at a price of \$0.02 per common share pursuant to the option agreement dated February 10, 2020. See Note 3.
- (4) On July 23, 2020, the Company issued 3,050,000 flow-through common shares at a price of \$0.02 per common share for gross proceeds of \$61,000 which the Company is committed to spend on qualifying Canadian Exploration Expenses (“CEE”) and issued 1,725,000 common shares at a price of \$0.02 per common share for gross proceeds of \$34,500.

As at December 31, 2020 the Company has fully completed this obligation to incur CEE.

- (5) On December 23, 2020, the Company issued 700,000 common shares at a price of \$0.05 per common share for gross proceeds of \$35,000.
- (6) On December 31, 2020, the Company issued 3,000,000 common shares at a price of \$0.05 per common share for gross proceeds of \$150,000.

During the year ended December 31, 2020, the Company incurred aggregate share issue costs of \$18,150 in connection with the above financings, which was recorded as an offset to share capital, as share issue costs.

**6. SHARE CAPITAL AND RESERVES (cont'd...)****Escrow Shares**

At December 31, 2021, there were 1,800,000 (December 31, 2020 – Nil) shares held in escrow with the Company's registrar and transfer agent. The common shares are subject to timed releases as follows:

- 10% released upon the date of listing on the CSE (listed on July 21, 2021)
- 15% released every six months thereafter until all escrow shares have been released (thirty-six months following the date of listing on the CSE).

**Stock Options**

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, at its discretion grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Vesting of stock options is at the discretion of the Board of Directors. Stock options are exercisable for a maximum of 10 years.

As at December 31, 2021, the Company had stock options outstanding enabling the holder to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date	Weighted Average Life Remaining
1,000,000	\$0.10	January 18, 2026	4.06

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2020	Nil	\$ -
Granted	1,000,000	0.10
As at December 31, 2021	1,000,000	\$ 0.10

During the year ended December 31, 2021, the Company recognized share-based payments expense of \$32,020 (December 31, 2020 - \$Nil) in connection with the vesting of stock options granted.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of stock options modified and granted during the period ended as follows:

	December 31, 2021
Risk-free interest rate	0.42%
Expected life of options	5.00
Annualized volatility	100%
Dividend rate	0%

**6. SHARE CAPITAL AND RESERVES (cont'd...)****Warrants**

The following common shares purchase warrants entitle the holder thereof to purchase one common share for each warrant. Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2020	-	\$ -
Granted	350,000	0.10
As at December 31, 2021	350,000	\$ 0.10

The weighted average remaining contractual life of warrants outstanding as at December 31, 2021 was 1.57 (December 31, 2020 – Nil years).

Warrants outstanding are as follows:

Number of Shares	Exercise Price	Expiry Date
350,000	\$ 0.10	July 26, 2023
350,000		

The weighted average Black-Scholes inputs are as follows:

	December 31, 2021
Expected life of warrants	2
Annualized volatility	100%
Dividend rate	-
Discount rate	0.46%

**7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

Significant non-cash transactions during the year ended December 31, 2021;

- exploration and evaluation assets expenditures included in accounts payable at December 31, 2021 are \$394.

Significant non-cash transactions during the year ended December 31, 2020;

- exploration and evaluation assets expenditures included in accounts payable at December 31, 2020 are \$25,837.

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

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

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:

**8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)**

- 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

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

**Financial risk factors**

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

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote and has deposited cash in high credit quality financial institutions.

*Liquidity risk*

As of December 31, 2021, the Company had cash balance of \$194,657 to settle current liabilities of \$12,214. The Company was not exposed to liquidity risk at that date, however, if and as additional financing is required, failure to obtain it on a timely, acceptable basis may cause the Company to postpone exploration plans or to reduce or terminate its operations.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

*Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade demand investments issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

*Foreign currency risk*

The Company's expenditures are denominated in Canadian dollars and current exposure to currency risk is minimal.

*Price risk*

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

**9. INCOME TAXES**

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

	2021	2020
Loss for the period before tax	\$ (101,651)	\$ (66,860)
Statutory tax rate	28%	27%
Expected income tax recovery	\$ (28,462)	\$ (18,052)
Non-deductible permanent differences	12,419	28,040
Impact of tax rate changes	188	-
Share issuance costs	(42,065)	(4,901)
Deferred assets not recognized	52,832	
Total income tax expense (recovery)	\$ (5,088)	\$ 5,088

The significant components of the Company's deferred tax liabilities are as follows:

	2021	2020
Deferred Tax Liabilities		
Exploration and evaluation assets carrying amounts in excess of tax pools	(24,132)	\$ (19,940)
Non-capital loss carry forwards and share issue costs	76,964	14,852
Net deferred tax liabilities	52,832	\$ (5,088)

Subject to certain restrictions, the Company has exploration and evaluation expenditures at December 31, 2021 of approximately \$102,000 available to reduce taxable income in future years. The Company also has non-capital losses available for possible deduction against future years' taxable income of approximately \$144,000. The non-capital losses, if not utilized, will start to expire in 2041. The Company has not recognized any future benefit for these tax losses, credits and resource deductions, as it is not considered likely that they will be utilized.

**10. CAPITAL MANAGEMENT**

The Company defines capital that it manages as the aggregate of share capital, contributed surplus and deficit.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company relies on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is enough economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital restrictions. There were no changes to the Company's approach to capital management during the period.

**11. SUBSEQUENT EVENTS**

The Company has entered into a binding letter agreement (the “LOI”) with Pyramid Peak Mining LLC., a wholly-owned subsidiary of Waterton Precious Metals Fund II Cayman LP, (“PPM”) and Mason Resources (US) Inc., a wholly owned subsidiary of Hudbay Minerals Inc. (“Hudbay”), whereby Cirrus would acquire from the vendors adjacent mineral property interests located in the state of New Mexico (collectively, the ‘Lordsburg property’) for the following consideration:

- Issue to Hudbay the greater of 9.86 million (pre-consolidation) common shares of Cirrus and 12 per cent of the pro forma capitalization of Cirrus following the concurrent equity offering.
- Issue to PPM the greater of 18 million (pre-consolidation) Cirrus shares and 19.99 per cent of the pro forma capitalization of Cirrus following the concurrent equity offering, plus \$500,000 in cash.
- The granting of a net smelter royalty as follows:
  - On the lands purchased from PPM (except for certain excluded claims subject to pre-existing royalties), a 2-per-cent NSR will be payable, with PPM to receive a 1.5-per-cent NSR and Hudbay 0.5 per cent. Each of these will be subject to a buyback provision whereby half of each royalty (0.75 per cent and 0.25 per cent respectively) can be purchased by Cirrus for \$5-million (\$3.75-million to PPM and \$1.25-million to Hudbay).
  - On the lands purchased from Hudbay, a 2-per-cent NSR will be payable, with Hudbay to receive a 1.5-per-cent NSR and PPM 0.5 per cent. Each of these will be subject to a buyback provision whereby half of each royalty (0.75 per cent and 0.25 per cent respectively) can be purchased by Cirrus for \$5-million (\$3.75-million to Hudbay and \$1.25-million to PPM).
  - In each case, the buyback right will be exercisable until the earlier of 10 years from closing or the commencement of commercial production on the Lordsburg property.
- Milestone payments will be made to PPM as follows;
  - The first milestone payment due 12 months from closing \$500,000 cash and \$500,000 in post-consolidation shares);
  - The second milestone payment due 24 months from closing (\$750,000 cash and \$750,000 in post-consolidation shares);
  - The final milestone payment due 36 months from closing (\$1.25-million in cash and \$1.25-million in post-consolidation shares).

**Concurrent equity financing**

Cirrus intends to complete a best-efforts private placement at a price of \$0.50 per post-consolidation share, for gross proceeds of \$10,000,000, to finance Cirrus's proposed exploration activities on the Lordsburg property, and for general administrative and working capital.

**Share consolidation**

Concurrent with the proposed transaction and financing, the Company will consolidate its issued and outstanding common shares on a two-for-one basis.

**11. SUBSEQUENT EVENTS (cont'd...)**

The LOI forms the basis from which the parties will negotiate and enter into a Definitive Agreement for the transaction (the “Definitive Agreement”). It is anticipated that the Definitive Agreement will contain standard representations, warranties, covenants and closing conditions for a transaction of this nature. The LOI governs the relationship between the parties in the event the Definitive Agreement is not entered into.