COMMERCE RESOURCES CORP.

Financial Statements

October 31, 2021 and 2020

(Expressed in Canadian Dollars)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Commerce Resources Corp.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Commerce Resources Corp. (the "Company"), which comprise the statements of financial position as at October 31, 2021 and 2020, and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, 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 October 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 the Company has not yet achieved profitable operations, has accumulated losses since its inception and expects to incur further losses. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company'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, consider whether the other information is materially inconsistent with 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 going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 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 G. Cameron Dong.

De Visser Gray LLP

Chartered Professional Accountants

Vancouver, BC, Canada
February 9, 2022

Commerce Resources Corp.
Statements of Financial Position
As at October 31,
As expressed in Canadian dollars

		2021		2020
Assets				
Current				
Cash	**$**	**3,261,303**	$	1,052,825
Marketable securities		**29,878**		17,299
Short term investment (Note 5)		**23,000**		23,000
Taxes and other receivables		**307,145**		36,235
Prepaid expenses		**1,083,300**		272,557
		4,704,626		1,401,916
Equipment (Note 6)		**327,219**		357,089
Exploration and evaluation assets (Note 7 and Schedule I)		**66,090,155**		61,995,823
Reclamation bonds		**80,000**		80,000
	$	**71,202,000**	$	63,834,828
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 14)	**$**	**917,705**	$	995,907
Due to related parties (Note 11)		**18,391**		21,850
Liability for flow-through shares (Note 14)		**46,439**		84,142
		982,535		1,101,899
Shareholders' Equity				
Share capital (Note 8)		**95,606,080**		87,860,843
Share subscriptions received		**-**		231,412
Reserves (Note 9)		**10,073,808**		9,649,991
Deficit		**(35,460,423)**		(35,009,317)
		70,219,465		62,732,929
	$	**71,202,000**	$	63,834,828

Subsequent Events – Note 16

Approved and authorized by the Board of Directors on February 8, 2022:

"Christopher Grove"
Director

"David Hodge"
Director

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

Commerce Resources Corp.

Statements of Operations and Comprehensive Loss
For the years ended October 31,
As expressed in Canadian dollars

		2021		2020
Expenses				
Administration fees and rent (Note 10 & 11)	$	**187,000**	$	350,672
Advertising and website		**209,417**		159,428
Consulting fees (Note 11)		**401,389**		121,664
Filing and transfer agent fees		**62,621**		21,492
Insurance		**11,648**		9,966
Investor relations		**43,255**		62,805
Office, telephone and miscellaneous		**44,038**		19,294
Professional fees		**74,404**		55,953
Share-based payments (Note 9)		**374,234**		18,916
Travel and promotion		**8,126**		15,078
Loss before other items		**(1,416,132)**		(835,268)
Other items:				
Interest income		**14,365**		9,113
Reversal of flow through liability (Note 14)		**594,000**		-
Foreign exchange losses		**(11,825)**		(4,814)
Penalties		**(627)**		-
Unrealized gain on marketable securities		**12,579**		3,558
		608,492		7,857
Net loss before income taxes		**(807,640)**		(827,411)
Deferred tax recovery (Note 14 & 15)		**356,534**		-
Net comprehensive loss for the year	$	**(451,106)**	$	(827,411)
Basic and diluted loss per share	$	**(0.01)**	$	(0.02)
Weighted average number of common shares outstanding – basic and diluted		**74,993,246**		45,158,576

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

Commerce Resources Corp.

Statements of Changes in Equity
For the years ended October 31,
As expressed in Canadian dollars

	Number of Shares		Share Capital		Share subscriptions received		Reserves		Deficit	Total
Balance, October 31, 2019	**41,476,083**	**$**	**86,485,737**	**$**	**-**	**$**	**9,590,806**	**$**	**(34,181,906)**	**61,894,637**
Shares issued for cash	9,414,210		1,503,649		-		-		-	1,503,649
Share issuance costs	-		(128,543)		-		40,269		-	(88,274)
Share subscriptions received	-		-		231,412		-		-	231,412
Share-based compensation	-		-		-		18,916		-	18,916
Net loss for the year	-		-		-		-		(827,411)	(827,411)
Balance, October 31, 2020	**50,890,293**	**$**	**87,860,843**	**$**	**231,412**	**$**	**9,649,991**	**$**	**(35,009,317)**	**62,732,929**
Shares issued for cash	23,407,898		5,856,058		(231,412)		-		-	5,624,646
Flow-through shares issued for cash	6,441,129		1,677,919		-		-		-	1,677,919
Warrants exercised	2,004,910		437,502		-		-		-	437,502
Broker warrants exercised	268,971		101,356		-		(36,803)		-	64,553
Share issuance costs	-		(327,598)		-		86,386		-	(241,212)
Share-based compensation	-		-		-		374,234		-	374,234
Net loss for the year	-		-		-		-		(451,106)	(451,106)
Balance, October 31, 2021	**83,013,201**	**$**	**95,606,080**	**$**	**-**	**$**	**10,073,808**	**$**	**(35,460,423)**	**70,219,465**

Commerce Resources Corp.

Statements of Cash Flows
For the years ended October 31,
As expressed in Canadian dollars

	2021	2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net loss for the year	**$ (451,106)**	$ (827,411)
Add (deduct) items not affecting cash:		
Deferred income taxes	**(356,534)**	-
Unrealized (gain) loss on marketable securities	**(12,579)**	(3,558)
Share-based payments	**374,234**	18,916
Reversal of flow-through liability	**(594,000)**	-
	(1,039,985)	(812,053)
Changes in non-cash working capital items related to operations:		
Taxes and other receivables	**(270,910)**	133,371
Prepaid expenses	**(810,743)**	(62,469)
Due to related parties	**(1,992)**	(29,832)
Accounts payable and accrued liabilities	**(239,308)**	(57,121)
Net cash flows (used in) operating activities	**(2,362,938)**	(828,104)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Share subscriptions received	**-**	231,412
Issue of share capital, net of share issuance costs	**7,882,239**	1,415,375
Net cash flows from financing activities	**7,882,239**	1,646,787
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Redemption of short-term investments	**-**	413,750
Exploration and evaluation costs, net of tax credits received	**(3,310,823)**	(422,265)
Net cash flows (used in) investing activities	**(3,310,823)**	(8,515)
Increase in cash	**2,208,478**	810,168
Cash, beginning of year	**1,052,825**	242,657
Cash, end of year	**$ 3,261,303**	$ 1,052,825

Supplemental disclosure with respect to cash flows – Note 13

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Commerce Resources Corp. ("Commerce" or the "Company") was incorporated on May 19, 1999, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is in the exploration stage and has interests in properties located in British Columbia ("BC") and Quebec, Canada. Commerce is a public company listed on Tier 1 of the TSX Venture Exchange in Canada ("CCE"), the Frankfurt Stock Exchange in Germany ("D7H"), and the OTCQX ("CMFZF"). The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on February 8, 2022.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital of $3,722,091 at October 31, 2021 (2020 - $300,017), has accumulated losses since its inception, expects to incur further losses in the development of its business, and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company's exploration and development programs. There is no assurance that these initiatives will be successful.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests.

There continues to be a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

2. BASIS OF PRESENTATION

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").
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2. BASIS OF PRESENTATION - continued

Basis of Measurement

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, this financial statement has been prepared using the accrual basis of accounting.

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Estimates and assumptions

In particular, information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and
- The fair value of share-based compensation are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs
  Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

Judgments - continued

- Production stage of a mine
  The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production.

- Provisions for reclamation
  Management assesses its provision for reclamation on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

- Going concern
  The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Foreign currency translation

The Company's presentation currency and functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Cash

Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months but less than one year.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Marketable securities

Marketable securities consist of common shares of publicly traded companies listed on the TSX Venture Exchange. Marketable securities are classified as fair value through profit and loss and are recorded at their fair values using quoted market prices at the statement of financial position date. Subsequent revaluation resulting in unrealized gains or losses is recorded in the statements of operations and comprehensive income (loss).

Exploration and evaluation costs

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of operations and comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. There is no amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Reclamation bonds

Reclamation bonds are required by the Ministry of Natural Resources and are mostly represented by Guaranteed Interest Certificates (“GIC”) held in the Company’s name at a bank. The Company is entitled to interest on the GICs which is earned at an interest rate ranging from 0.30% to prime minus 2.2%. The reclamation bonds cannot be withdrawn by the Company without the consent of the Ministry of Natural Resources.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful lives using the following rates:

Field equipment	3 year straight-line
Field office building	5% declining balance
Leasehold improvements	12 year straight-line

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy:

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Share capital – the fair market price at the date of the issue;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature, i.e. the portion in excess of the market value of the shares without the flow-through features at the time of issue; and
- Fair value of warrants – if warrants are being issued, based on the valuation derived using the residual method.

In the case that the Company does not issue non flow-through units together with the flow-through units, the flow-through share premium is determined by using the residual method, whereby the fair value of warrants will be valued based on the Black-Scholes option-pricing model, and the flow-through share premium equal to any residual balance after the fair market price of the common shares and fair value of warrants.

As qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Mining tax credits and mining duties

Mining tax credits and mining duties are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits and mining duties. These refundable mining tax credits and mining duties are earned in respect to exploration costs incurred in BC and Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures. During the year ended October 31, 2021, the Company recorded a refund of $nil (2020: $6,101) for the BC mining tax credits and $nil (2020: $16,737) for the Quebec mining tax credits.

Financial instruments

<u>Financial assets</u>

The Company classifies its financial assets in the following categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVTOCI)
- Amortized cost

The determination of the classification of financial assets is made at initial recognition. Marketable securities that are held for trading are classified as FVTPL: for other marketable securities and investments, on the day of acquisition the Company can make an irrevocable election to classify them as FVTOCI.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

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

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations and comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statements of operations and comprehensive income (loss).

Financial assets at FVTOCI

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

Financial assets at amortized cost

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

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.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Financial liabilities at FVTPL

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive income (loss).

Financial liabilities at amortized cost

This category includes accounts payable and accrued liabilities, due to related parties, which are recognized at amortized cost using the effective interest method.

The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial liability, or, where appropriate, a shorter period.

Transaction costs in respect of financial liabilities at fair value through profit or loss are recognized in the statements of operations and comprehensive income (loss) immediately while transaction costs associated with financial liabilities at amortized cost are included in the initial measurement of the financial liability.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

The following table shows the classification of the Company's financial assets and liabilities under IFRS 9:

Financial asset	IFRS 9 Classification
Cash	Amortized cost
Taxes and Other Receivables	Amortized cost
Marketable Securities	FVTPL
Short Term Investments	FVTPL
Accounts Payable and Accrued Liabilities	Amortized cost
Due to Related Parties	Amortized cost

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Share-based payments to non-employees are measured at 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 cannot be reliably measured, and are recorded at the date the goods or services are received.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes - continued

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Related party transactions

Parties are considered to be 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. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of non-current assets - continued

In calculating recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Decommissioning liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Future Accounting Policy Changes Issued but not yet in Effect

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after November 1, 2020. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company does not anticipate any material changes to the financial statements upon adoption of these new revised accounting pronouncements.

Expressed in Canadian Dollars

5. SHORT TERM INVESTMENTS

At October 31, 2021, the Company had a guaranteed investment certificate ("GIC's") valued at $23,000 (2020: $23,000) with an interest rate of prime less 2.4% (2020: 2.2%) and a maturity date of October 27, 2022 (2020: October 21, 2021).

6. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
Costs					
October 31, 2020 & 2021	**$ 316,931**	**$ 303,748**	**$ 255,796**	**$ 120,282**	**$ 996,757**
Accumulated Amortization					
October 31, 2019	316,931	123,665	168,752	-	609,348
Additions	-	9,004	21,316	-	30,320
October 31, 2020	316,931	132,669	190,068	-	639,668
Additions	-	8,554	21,316	-	29,870
October 31, 2021	**$ 316,931**	**$ 141,223**	**$ 211,384**	**$ -**	**$ 669,538**
Net Book Value					
October 31, 2020	$ -	$ 171,079	$ 65,728	$ 120,282	$ 357,089
October 31, 2021	**$ -**	**$ 162,525**	**$ 44,412**	**$ 120,282**	**$ 327,219**

During the year ended October 31, 2021, $29,870 (2020: $30,320) of amortization has been capitalized to Exploration and Evaluation Assets.

7. EXPLORATION AND EVALUATION ASSETS

The following is a description of the Company's most significant property interests and related spending commitments (see Schedule I for a detailed breakdown):

<u>Blue River Claims</u> – (formerly known as the Upper Fir, Verity and Fir Claims)

The Company has a 100% interest in its Blue River claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, all of which were acquired by staking.

<u>Eldor Claims</u>

The Company acquired, by staking and a purchase agreement, a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. During the year ended October 31, 2007, the Company purchased 8 mineral claims from Virginia Mines Inc. ("Virginia Mines"), which cover a portion of the Eldor Carbonatite. These claims are adjacent to the approximately 88 claims staked by the Company. The Company currently has 244 claims covering 11,475 hectares.

Virginia Mines retains a 1% net smelter royalty on the 8 claims purchased from them. As well, 5 of the 8 claims are subject to an underlying 5% net profit royalty, which can be purchased for $500,000.

On January 11, 2018, the Company entered into an exploration earn-in agreement with Saville Resources Inc. ("Saville") on the Eldor Niobium claims, known as the Niobium Claim Group Property. Under the exploration earn-in agreement, Saville has agreed to perform $5,000,000 of work on the claims over a five-year period to earn a 75% interest in the claims. The Company received a cash payment of $25,000 upon signing (received) and a cash payment of $225,000 (received) following Exchange approval on October 11, 2018. The Company will retain a 2% Net Smelter Royalty (NSR) on production from some of the claims with a 1% NSR buyback for $1,000,000, and a 1% NSR on the claims that are already subject to royalties.

8. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value.

b) Issued and outstanding:

The total issued and outstanding shares of the Company total 83,013,201 as at October 31, 2021 (2020: 50,890,293).

During the year ended October 31, 2021:

On December 18, 2020, the Company completed a non-brokered private placement, issuing 15,571,241 units (each, a "Unit") at a price of $0.21 per Unit for gross proceeds of $3,269,961. Each Unit consists of one common share in the capital of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of $0.29 per Share for a period of five years from the closing date. The Company paid cash finder's fees of $44,116 and issued 187,250 finder's warrants (each, a "Finder's Warrant") to certain finders in connection with the Offering. The Finder's Warrants have the same terms and conditions as the Warrants. The securities issued under the Offering, and the shares that may be issuable on exercise of the Warrants and the Finder's Warrants, were subject to a statutory hold period expiring four months and one day from the date of closing.

On December 23, 2020, the Company completed a first tranche (the "First Tranche") of a non-brokered private placement, issuing 6,279,838 common shares (each, a "Share") issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) at a price of $0.31 per Share for gross proceeds of $1,946,750. In connection with the closing of the First Tranche, the Company paid cash finder's fees of $30,000 to one finder. The securities issued under the First Tranche were subject to a statutory hold period expiring four months and one day from the date of closing. Of the gross proceeds, $313,992 was allocated to liability for flow-through shares (See Note 14).

On December 30, 2020, the Company completed the second and final tranche of the non-brokered private placement, issuing 161,291 common shares (each, a "Share") issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) at a price of $0.31 per Share for gross proceeds of $50,000. The securities issued under the Offering were subject to a statutory hold period expiring four months and one day from the date of closing. Of the gross proceeds, $4,839 was allocated to liability for flow-through shares (See Note 14).

On May 20, 2021, the Company closed a non-brokered private placement issuing 7,836,657 units (each, a "Unit") at a price of $0.33 per Unit for gross proceeds of $2,586,097. Each Unit consists of one common share in the capital of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of $0.44 per Share for a period of five years from the closing date. The Company paid cash finder's fees of $85,661 and issued 255,920 finder's warrants (each, a "Finder's Warrant") to certain finders in connection with the Offering. The Finder's Warrants have the same terms and conditions as the Warrants.

During the year ended October 31, 2021, 2,004,910 share purchase warrants have been exercised for gross proceeds of $437,502 and 268,971 broker warrants were exercised for gross proceeds of $64,553.

Expressed in Canadian Dollars

8. SHARE CAPITAL - continued

During the year ended October 31, 2020:

On May 5, 2020, the Company closed a non-brokered private placement of 2,727,271 units (each, a "Unit") at a price of $0.11 per Unit for aggregate proceeds of $300,000. Each Unit consists of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share at a price of $0.15 per Share for a period of five years following the closing of the Offering. Finders' fees of $584 were paid and 2,871 agent's warrants were issued with a fair value of $580. The agents' warrants have the same terms and conditions of the warrants. All securities issued in connection with the Offering will be subject to a statutory hold period expiring four months and one day after closing of the offering.

On June 25, 2020, the Company closed an over-subscribed non-brokered private placement of 6,686,939 units (each, a "Unit") at a price of $0.18 per Unit for aggregate proceeds of $1,203,649. Each Unit consists of one common share of the Company (each, a "Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder to purchase one Share at a price of $0.24 per Share for a period of five years following the closing of the Offering. Finder's fees of $53,077 were paid and 290,671 agent's warrants were issued with a fair value of $39,689. The agent's warrants have the same terms and conditions of the warrants. All securities issued in connection with the Offering will be subject to a statutory hold period expiring four months and one day after closing of the offering.

c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the years ended October 31, 2021 and 2020:

	2021		2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	19,088,363	$ 0.30	10,426,425	$ 0.52
Issued	23,407,898	0.34	9,414,210	0.21
Exercised	(2,004,910)	0.22	-	-
Expired	-	-	(752,272)	0.75
Balance, end of year	40,491,351	$ 0.33	19,088,363	$ 0.36

Expressed in Canadian Dollars

8. SHARE CAPITAL - continued

c) Share purchase warrants - continued

The following share purchase warrants were outstanding and exercisable as at October 31, 2021 and 2020:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Original Exercise Price	Revised Exercised Price	**2021** Number of Warrants	**2020** Number of Warrants
October 11, 2024	2.95	$0.50	$0.285	3,124,450	3,124,450
October 11, 2024	2.95	$0.50	$0.50	5,903,550	5,903,550
October 31, 2024	3.00	$0.50	$0.285	646,153	646,153
May 5, 2025	3.51	$0.15	$0.15	2,241,982	2,727,271
June 25, 2025	3.65	$0.24	$0.24	5,167,318	6,686,939
December 18, 2025	4.13	$0.29	$0.29	15,571,241	-
May 20, 2026	4.55	$0.44	$0.44	7,836,657	-
Total Outstanding and Exercisable	3.84	$0.36	$0.36	40,491,351	19,088,363

On September 24, 2021, the Company applied to the TSX Venture Exchange (the "Exchange") for an amendment to the terms of the 9,674,153 warrants (the "Warrants") issued in connection with the Company's private placement which held its first closing on October 11, 2019 and second closing on October 31, 2019. The Company proposed to extend the expiry date of the Warrants from October 11, 2021 to October 11, 2024 in respect of the first closing and October 31, 2021 to October 31, 2024 in respect of the second closing. In addition, the Company applied for an amendment of the Warrants' exercise price from $0.50 to $0.285. All other terms of the Warrants will remain the same. The extension of the expiry date and repricing was approved by the Exchange on October 1, 2021. Only 10% of the placements held by insiders was eligible for repricing.

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the years ended October 31, 2021 and 2020:

	2021		**2020**	
	Number of Agents' Warrants	Weighted Average Exercise Price	Number of Agents' Warrants	Weighted Average Exercise Price
Balance, beginning of year	293,542	$ 0.24	-	$ -
Issued	443,170	0.38	293,542	0.24
Exercised	(268,971)	0.24	-	-
Balance, end of year	467,741	$ 0.37	293,542	$ 0.24

Expressed in Canadian Dollars

8. SHARE CAPITAL - continued

d) Agents' warrants - continued

The following Agents' warrants were outstanding and exercisable as at October 31, 2021 and 2020:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	**2021** Number of Warrants	**2020** Number of Warrants
May 5, 2025	3.51	$0.15	2,871	2,871
June 25, 2025	3.65	$0.24	21,700	290,671
December 18, 2025	4.13	$0.29	187,250	-
May 20, 2026	4.55	$0.44	255,920	-
Total Outstanding and Exercisable	4.34	$0.37	467,741	293,542

The following assumptions were used for the Black-Scholes pricing model calculations:

	May 5, 2020	June 25, 2020	December 18, 2020	May 20, 2021
Risk-free interest rate	0.40%	0.37%	0.45%	0.94%
Expected stock price volatility	101.91%	102.44%	100.53%	100.21%
Expected option life in years	5 years	5 years	5 years	5 years
Dividend rate	Nil	Nil	Nil	Nil

9. SHARE-BASED PAYMENTS

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. Options granted to directors, employees and consultants other than consultants engaged in investor relations activities will vest immediately. However, for options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

The following is a summary of option transactions under the Company's stock option plan for the for the years ended October 31, 2021 and 2020:

	2021			**2020**		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Balance, beginning of year	2,709,732	$	0.50	2,917,232	$	0.50
Granted	1,700,000		0.38	-		-
Expired/Cancelled	-		-	(207,500)		0.51
Balance, end of year	4,409,732	$	0.45	2,709,732	$	0.50

Expressed in Canadian Dollars

9. SHARE-BASED PAYMENTS – continued

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

Expiry Date	Exercise Price	Number of Options	Contractual Life (Years)
June 6, 2022	$0.65	1,204,732	0.60
April 12, 2023	$0.75	100,000	1.45
August 27, 2024	$0.35	1,215,000	2.82
August 27, 2024	$0.35	190,000	2.82
March 5, 2023	$0.38	1,700,000	1.34
Total Outstanding and Exercisable		4,409,732	1.61

On March 5, 2021, the Company granted 1,700,000 stock options (each, an "Option") to certain directors, officers, employees and consultants of the Company for the purchase of up to 1,700,000 common shares of the Company pursuant to its Stock Option Plan. Each Option is exercisable for a period of two (2) years at a price of $0.38 per common share. Of these Options, 700,000 were granted to directors and officers of the Company and 100,000 were granted to persons providing investor relations to the Company and, pursuant to the policies of the TSX Venture Exchange, must vest over 12 months from the issuance date, with 25% vesting in each three (3) month period after the grant of the Options.

During the year ended October 31, 2020, the Company cancelled 107,500 stock options exercisable at $0.65 per share and 100,000 stock options exercisable at $0.35 issued to former employees and consultants of the Company.

10. COMMITMENTS

On May 1, 2008, the Company entered into a Management & Administration Agreement ("Agreement") with Zimtu Capital Corp. ("Zimtu"). Under the terms of the agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 12 months. The agreement has subsequently been renewed in prior years and on December 1, 2021, the Company renewed the agreement for another period of 12 months.

On November 16, 2020, the Company signed an agreement with Zimtu Capital Corp. whereas Zimtu will provide services under the ZimtuADVANTAGE program. The Company paid $100,000 up front for the initial 12-month term and it expenses the cost on a monthly basis. See Note 16.

Expressed in Canadian Dollars

11. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2021 and 2020, the Company incurred the following transactions with officers or directors of the Company or companies with common directors:

	Year ended October 31,	
	2021	**2020**
Key management compensation*	**$**	**$**
Geological services	536,092	36,847
Administrative fees, net of wage subsidy received	187,000	350,672
Consulting fees and salaries	199,310	73,086
Share-based payments	161,209	-
Advertising and promotion	100,000	95,861
Total	1,183,611	556,466

	October 31, 2021	**October 31, 2020**
Amounts due to (from) related parties	**$**	**$**
Dahrouge Geological Consulting (a)	17,332	21,918
Zimtu Capital Corp. (b)	1,059	(68)
Due to related parties – Net total	18,391	21,850

(a) Dahrouge Geological Consulting provides geological services to the Company. Dahrouge is controlled by a director of the Company, Jody Dahrouge.
(b) Zimtu Capital Corp. is a company with common directors and management. Zimtu provides key management services to the Company.

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm's length basis.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

12. FINANCIAL INSTRUMENTS

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash and short-term investments are subject to credit risk for a maximum of the amounts shown on the statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At October 31, 2021, the Company held cash of $3,261,303 (2020: $1,052,825) and short-term investments of $23,000 (2020: $23,000) with Canadian chartered banks.

The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at October 31, 2021, the Company has total current liabilities of $982,535 (2020: $1,101,899). Management intends to meet these obligations by raising funds through future financings.

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company's marketable securities and investment in asset-backed commercial paper are subject to market risk.

i) Currency Risk
Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

Expressed in Canadian Dollars

12. FINANCIAL INSTRUMENTS - continued

c) Market Risk - continued

ii) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company invests part of the cash balance in a variable rate GIC. The exposure to interest rate risk, however, is limited due to the short-term nature of the GIC.

d) Fair Value

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

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

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2021 and 2020:

	As at October 31, 2021		
	Level 1	**Level 2**	**Level 3**
Short term investments	$ 23,000	-	-
Marketable securities	29,878	-	-
	$ 52,878	$ -	$ -

	As at October 31, 2020		
	Level 1	**Level 2**	**Level 3**
Short term investments	$ 23,000	-	-
Marketable securities	17,299	-	-
	$ 40,299	$ -	$ -

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at October 31, 2021, the Company's shareholders' equity was $70,219,465 (2020: $62,732,929). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

12. FINANCIAL INSTRUMENTS - continued

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties. The Company is not subject to any externally imposed capital requirements and there were no changes in the Company's approach to capital management during the year.

13. NON-CASH TRANSACTIONS

The following transactions have been excluded from the statement of cash flows:

During the year ended October 31, 2021:

- Exploration and evaluation assets of $865,033 were included in accounts payable and $13,489 were included in due to related parties.
- Amortization of $29,870 relating to equipment was included in exploration and evaluation assets.

During the year ended October 31, 2020:

- Exploration and evaluation assets of $109,927 were included in accounts payable and $14,956 were included in due to related parties.
- Amortization of $30,320 relating to equipment was included in exploration and evaluation assets.

14. LIABILITY AND INCOME TAX EFFECT ON FLOW-THOUGH SHARES

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On December 22, 2014, the Company issued 12,025,000 shares on a flow-through basis at $0.25 per share for gross proceeds of $3,006,250 and recognized a liability on flow-through shares of $781,625. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2014. As the Company had unfulfilled CEE obligations of $1,268,058 at December 31, 2015, as a result of unspent flow-through proceeds related to this flow through issuance, the Company incurred Part XII.6 tax and related penalties and interest of $234,418 which was recorded in other expenses for the year ended October 31, 2016. The Company accrued $594,000 to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment based upon a combined tax rate of 43.7% of unspent flow-through funds raised. During the year ended October 31, 2021, the Company reversed the accrual as the period of re-assessment for the 2014 income tax years has elapsed.

On August 27, 2019, the Company issued 752,272 shares on a flow-through basis at $0.55 per share for proceeds of $413,750 and recognized a liability on flow-through shares of $84,142. At October 31, 2021, the Company had incurred the $413,750 in qualified expenditures.

Expressed in Canadian Dollars

14. LIABILITY AND INCOME TAX EFFECT ON FLOW-THOUGH SHARES - continued

On December 24, 2020, the Company issued 6,279,838 common shares on a "flow-through" basis at a price of $0.31 per share for gross proceeds of $1,946,750. At October 31, 2021, the Company has incurred $1,688,829 qualified expenditures. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2020 and the expenditures will be incurred prior to December 31, 2022, as all flow through expenditure spending has been extended by one year due to Covid-19.

On December 30, 2020, the Company issued 161,291 common shares on a "flow-through" basis at a price of $0.31 per share for gross proceeds of $50,000. At October 31, 2021, the Company has incurred $nil qualified expenditures. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2020 and the expenditures will be incurred prior to December 31, 2022, as all flow through expenditure spending has been extended by one year due to Covid-19.

In total, at October 31, 2021, the Company is required to incur $307,921 of flow-through qualified expenditures.

	Issued on August 27, 2019	Issued on December 23, 2020	Issued on December 30, 2020	Total
Balance, October 31, 2020	$ 84,142	$ -	$ -	$ 84,142
Liability incurred on flow-through shares issued	-	313,992	4,839	318,831
Settlement of flow-through share liability on incurred expenses	(84,142)	(272,392)	-	(356,534)
Balance, October 31, 2021	$ -	$ 41,600	$ 4,839	$ 46,439

15. CORPORATE INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian federal and provincial income rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended October 31, 2021 and 2020:

	2021	2020
	$	**$**
Net loss before tax	(807,640)	(827,411)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(218,063)	(223,401)
Non-deductible items	(2,597)	(43,911)
Change in deferred tax asset not recognized	220,660	267,312
Flow-through share recovery	(356,534)	
Total income tax expense (recovery)	**(356,534)**	**-**

Details of deferred tax assets (liabilities) are as follows:

	2021	2020
	$	**$**
Non-capital loss carry forward	6,539,791	5,928,803
Exploration and evaluation assets	(6,539,791)	(5,928,803)
Deferred tax assets (liabilities)	-	-

Expressed in Canadian Dollars

15. CORPORATE INCOME TAXES - continued

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences as at October 31, 2021 and 2020 are comprised of the following:

	2021	2020
	$	$
Non-capital losses carry-forwards (Canada)	12,475,846	14,076,520
Contingent liability	-	594,000
Capital losses	2,881,505	2,881,505
Equipment	566,370	536,500
Marketable securities	301,419	313,998
Investment Tax Credits	3,216,941	3,216,941
Financing costs	267,829	112,817
Total unrecognized deductible temporary differences	19,709,910	21,732,281

The Company has not recognized a deferred tax asset in respect of non-capital loss carry-forwards of approximately $12,475,846 (2020: $14,076,520) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	$
2035	5,000,154
2036	1,851,506
2037	1,641,923
2038	1,203,922
2039	1,080,364
2040	1,035,731
2041	662,246
Total	12,475,246

The deferred tax assets have not been recognized because at this stage of the Company’s development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

16. SUBSEQUENT EVENTS

On November 3, 2021, the Company announced it had signed an agreement with Zimtu Capital Corp. for services under the ZimtuADVANTAGE program. Under the terms of the agreement, the Company shall pay Zimtu $12,500 per month for a period of twelve months.

On December 8, 2021, the Company announced that it granted 2,500,000 stock options (each, an "Option") to certain directors, officers, employees and consultants of the Company for the purchase of up to 2,500,000 common shares of the Company pursuant to its Stock Option Plan. Each Option is exercisable for a period of two (2) years at a price of $0.23 per common share. Of these Options, 150,000 are being granted to persons providing investor relations services to the Company and, pursuant to the policies of the TSX Venture Exchange, must vest over 12 months from the issuance date, with 25% vesting in each three (3) month period after the grant of the Options.

On December 21, 2021, the Company completed a non-brokered private placement issuing 8,641,429 common shares (each, a "Share") issued on a "flow-through" basis pursuant to the Income Tax Act (Canada) at a price of $0.28 per Share for gross proceeds of $2,419,600 (the "Offering"). In connection with the closing of the Offering, the Company paid cash finder's fees of $126,500 to two finders. The securities issued under the Offering are subject to a statutory hold period expiring four months and one day from the date of closing.

Commerce Resources Corp. Schedule I

Schedule of Resource Properties
For the year ended October 31, 2021
Expressed in Canadian dollars

	Blue River Claims	Eldor Claims	Totals
Acquisition costs			
Balance, beginning of year	$ 201,602	$ 1,366,294	$ 1,567,896
Staking and renewals	-	-	-
Balance, end of the year	201,602	1,366,294	1,567,896
Deferred exploration and development costs			
Balance, beginning of year	28,093,424	32,334,503	60,427,927
Amortization – field equipment and office	8,554	-	8,554
Assays and analytical	-	23,322	23,322
Consulting	-	1,833	1,833
Drilling	-	438,541	438,541
Field equipment rental and supplies	21,316	525,134	546,450
Food and accommodation	11,929	169,848	181,777
Geology, mapping and drafting	-	571,787	571,787
Insurance	5,989	8,984	14,973
Lobbying and consulting	-	12,562	12,562
Metallurgy	-	1,725,335	1,725,335
Other	46,000	75,488	121,488
Permits and regulatory	-	21,735	21,735
Project management	1,925	-	1,925
Travel and transport	-	424,050	424,050
	95,713	3,998,619	4,094,332
Balance, end of year	28,189,137	36,333,122	64,522,259
Total balance, end of year	$ 28,390,739	$ 37,699,416	$ 66,090,155

Commerce Resources Corp.
Schedule of Resource Properties
For the year ended October 31, 2020
Expressed in Canadian dollars

Schedule I
Continued

	Blue River Claims	Eldor Claims	Totals
Acquisition costs			
Balance, beginning of year	$ 201,602	$ 1,332,866	$ 1,534,468
Staking and renewals	-	33,428	33,428
Balance, end of the year	201,602	1,366,294	1,567,896
Deferred exploration and development costs			
Balance, beginning of year	28,010,869	31,887,520	59,898,389
Amortization – field equipment and office	9,004	-	9,004
Assays	-	919	919
Environmental and permitting	-	598	598
Field equipment rental	21,316	2,936	24,252
Field supplies	-	11,925	11,925
Food and accommodation	14,282	-	14,282
Geology, mapping and drafting	-	25,779	25,779
Insurance	5,229	7,843	13,072
Other	38,000	46,056	84,056
Metallurgy	-	359,161	359,161
Project management	825	-	825
Travel and transport	-	8,503	8,503
	88,656	463,720	552,376
Balance, end of year	28,099,525	32,351,240	60,450,765
Mining tax credits	(6,101)	(16,737)	(22,838)
Total balance, end of year	$ 28,295,026	$ 33,700,797	$ 61,995,823