



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Barksdale Resources Corp.

Opinion

We have audited the accompanying consolidated financial statements of Barksdale Resources Corp. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 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 audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has accumulated net losses of \$26,027,918. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

July 26, 2021

BARKSDALE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	March 31, 2021	March 31, 2020
	\$	\$
ASSETS		
Current		
Cash	5,713,714	2,622,306
Receivables	25,206	12,636
Prepays	178,798	233,053
	<u>5,917,718</u>	<u>2,867,995</u>
Exploration and evaluation assets (Notes 4 and 9)	9,399,059	6,793,538
Right-of-use assets (Note 5)	<u>132,464</u>	<u>74,818</u>
	<u>15,449,241</u>	<u>9,736,351</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 6 and 9)	376,183	265,982
Current portion of lease liabilities (Note 5)	-	33,309
	<u>376,183</u>	<u>299,291</u>
Government loan payable (Note 7)	60,000	-
Lease liabilities (Note 5)	<u>101,896</u>	<u>44,028</u>
	<u>538,079</u>	<u>343,319</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	38,373,752	31,218,325
Reserves (Note 8)	2,565,328	1,975,962
Deficit	<u>(26,027,918)</u>	<u>(23,801,255)</u>
	<u>14,911,162</u>	<u>9,393,032</u>
	<u>15,449,241</u>	<u>9,736,351</u>

Nature of Operations and Going Concern (Note 1)
Commitments (Note 13)
Subsequent Events (Note 15)

Approved on behalf of the Board of Directors on July 26, 2021:

"Darren Blasutti"

Director

"Peter McRae"

Director

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

BARKSDALE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the years ended	
	March 31,	
	2021	2020
	\$	\$
Expenses		
Advertising and marketing	245,092	183,719
Consulting fees	24,714	123,934
Depreciation (Note 5)	38,705	24,939
Foreign exchange loss (gain)	80,164	(10,915)
Insurance	26,399	22,622
Interest expense on lease liabilities (Note 5)	6,736	4,473
Investor relations	15,640	79,136
Management fees (Note 9)	516,000	522,086
Office and general	73,281	88,528
Professional fees (Note 9)	343,527	243,498
Property investigation costs	58,778	47,841
Rent (Note 9)	50,400	39,900
Share-based compensation (Notes 8 and 9)	659,331	559,681
Transfer agent and filing fees	98,136	47,862
Travel and related	13,728	84,586
	(2,250,631)	(2,061,890)
Gain on lease termination (Note 5)	2,127	-
Interest income	13,810	57,159
Loss and comprehensive loss for the year	(2,234,694)	(2,004,731)
Basic and diluted loss per share	(0.04)	(0.05)
Weighted average number of common shares outstanding – basic and diluted	53,672,966	42,457,370

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

BARKSDALE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the years ended March 31,	
	2021	2020
	\$	\$
Cash flows used in operating activities		
Loss for the year	(2,234,694)	(2,004,731)
Items not affecting cash		
Depreciation	38,705	24,939
Gain on lease termination	(2,127)	-
Share-based compensation	659,331	559,681
Interest expense on lease liabilities	6,736	4,473
Foreign exchange	28,285	343
	<u>(1,503,764)</u>	<u>(1,415,295)</u>
Changes in non-cash working capital items		
Receivables	(12,570)	23,698
Prepays	52,117	132,143
Accounts payable and accrued liabilities	(36,977)	62,564
	<u>(1,501,194)</u>	<u>(1,196,890)</u>
Cash flows used in investing activities		
Deposits	-	(139,317)
Exploration and evaluation asset expenditures	(1,425,651)	(1,327,081)
	<u>(1,425,651)</u>	<u>(1,466,398)</u>
Cash flows from financing activities		
Proceeds from shares issuance	6,325,000	1,847,693
Share issuance costs	(296,858)	(42,901)
Proceeds from stock options exercised	-	21,000
Proceeds from warrants exercised	-	99,000
Proceeds from government loan payable	60,000	-
Repayment of lease liabilities	(69,889)	(20,361)
	<u>6,018,253</u>	<u>1,904,431</u>
Net change in cash	3,091,408	(758,857)
Cash, beginning of the year	<u>2,622,306</u>	<u>3,381,163</u>
Cash, end of the year	<u>5,713,714</u>	<u>2,622,306</u>
Non-cash transactions		
Exploration and evaluation assets in accounts payable and accrued liabilities	193,360	78,841
Shares issued for exploration and evaluation assets	1,065,351	635,878
Warrants issued for share issuance costs	56,292	-
Reclassification of cancelled stock options	8,031	263,132
Reclassification of exercised stock options	-	19,948
Reclassification of expired warrants	118,226	21,379
Reclassification of exercised warrants	-	88,187
Capitalization of right-of-use assets and lease liabilities	136,616	99,757
Reclassification of lease termination	39,094	-

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

BARKSDALE RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares Issued	Share Capital \$	Reserves \$	Accumulated Deficit \$	Total Shareholders' Equity \$
Balance at March 31, 2019	38,489,686	28,528,141	1,808,927	(22,059,656)	8,277,412
Share issued for cash	4,016,723	1,847,693	-	-	1,847,693
Share issued for exploration and evaluation assets	964,841	635,878	-	-	635,878
Share issuance costs	-	(42,901)	-	-	(42,901)
Share-based compensation	-	-	559,681	-	559,681
Stock options cancelled	-	-	(263,132)	263,132	-
Stock options exercised	50,000	40,948	(19,948)	-	21,000
Warrants exercised	247,500	187,187	(88,187)	-	99,000
Warrants expired	-	21,379	(21,379)	-	-
Net loss for the year	-	-	-	(2,004,731)	(2,004,731)
Balance at March 31, 2020	43,768,750	31,218,325	1,975,962	(23,801,255)	9,393,032
Share issued for cash	16,644,737	6,325,000	-	-	6,325,000
Share issued for exploration and evaluation assets	2,851,431	1,065,351	-	-	1,065,351
Share issuance costs	-	(353,150)	56,292	-	(296,858)
Share-based compensation	-	-	659,331	-	659,331
Stock options cancelled	-	-	(8,031)	8,031	-
Warrants expired	-	118,226	(118,226)	-	-
Net loss for the year	-	-	-	(2,234,694)	(2,234,694)
Balance at March 31, 2021	63,264,918	38,373,752	2,565,328	(26,027,918)	14,911,162

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

BARKSDALE RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Barksdale Resources Corp. (“Barksdale” or the “Company”), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange (“TSXV”) and the OTCQX in the United States and trades under the symbol BRO.V and BRKCF respectively. The Company’s registered office is Suite 615, 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

The Company’s principal business activities include the acquisition and exploration of precious and base metal mineral properties in Arizona, USA and in Sonora, Mexico. The Company has not yet determined whether its exploration and evaluation assets contain ore 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. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared by management on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred ongoing losses. A number of alternatives are being evaluated with the objective of funding ongoing activities and obtaining additional working capital. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

The Company has not generated revenues from its operations to date. As at March 31, 2021, the Company has accumulated net losses of \$26,027,918 since inception and has working capital of \$5,541,535. The operations of the Company have primarily been funded by the issuance of common shares. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company will require additional financing for the upcoming fiscal year in order to maintain its operations and exploration activities. These material uncertainties raise substantial doubt on the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

These consolidated financial statements for the year ended March 31, 2021 were authorized by the Board of Directors for issuance on July 26, 2021.

b) Basis of Presentation

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

BARKSDALE RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (CONTINUED)

c) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, TBJ Resources (US) Inc., Arizona Standard Resources Corp., Arizona Standard (US) Corp., IC Exploration Ltd., IC Exploration (US) Ltd., 1260938 BC Ltd., and Estrella de Cobre, S.A. de C.V. All significant intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

d) Use of Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from management's best estimates as additional information becomes available.

Significant areas requiring the use of management estimates and judgments include:

- (i) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- (ii) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available to identify new business opportunities and working capital requirements, the outcome of which is uncertain.
- (iii) The determination 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 assessments 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.
- (iv) Inputs used in the valuation model to determine the fair value of stock options.
- (v) The application of IFRS 16 requires the Company to make judgments that affect the valuation of the right-of-use assets and the valuation of lease liabilities. These include: determining agreements in scope of IFRS 16, determining the contract term and determining the interest rate used for discounting of future cash flows. The lease term determined by the Company is comprised of the non-cancellable period of lease agreements, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. The present value of the lease payment is determined using a discount rate representing the rate of a commercial mortgage rate, observed in the period when the lease agreement commences or is modified.

BARKSDALE RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (CONTINUED)

d) Use of Estimates and Judgements (continued)

(vi) In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS and reflect management's consideration of the following significant accounting policies:

a) Foreign Currency Transactions

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

b) Exploration and Evaluation Assets

Pre-exploration costs are expensed as incurred. Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment, then transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

c) Provision for Environmental Rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax risk-free rate that reflects the time value of money are used to calculate the net present value.

BARKSDALE RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provision for Environmental Rehabilitation (continued)

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

The increase in the provision due to the passage of time is recognized as interest expense. The Company has no known restoration, rehabilitation or environmental costs related to its mineral properties.

d) Impairment of Tangible and Intangible Assets

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

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

e) Share-Based Compensation

The Company operates an employee stock option plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of 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. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

When stock options are exercised, share capital is credited by the sum of consideration paid and the related portion of share based payments previously recorded in reserves. On cancellation or expiry, the value of share based payments are transferred to deficit.

BARKSDALE RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Income Taxes

Income taxes are calculated whereby temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount in the consolidated financial statements are used to calculate deferred income tax liabilities or assets. Deferred income tax liabilities or assets are calculated using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

g) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. Potentially dilutive options and warrants excluded from diluted loss per share totalled 15,103,385 (2020 – 4,656,528).

h) Unit Offerings

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded to reserves. Upon exercise or expiry, the value attributed to the warrants is transferred to share capital.

i) Financial Instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income/loss.

BARKSDALE RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Financial Instruments (continued)

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss and cash is classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as amortized cost and carried on the statements of financial position at amortized cost.

As at March 31, 2021, the Company does not have any derivative financial liabilities.

j) Leases

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

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

BARKSDALE RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Leases (continued)

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

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

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

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

k) Government Grants and Assistance

Government grants are recognized when there is reasonable assurance that the relevant conditions of the grant are met and that the grant will be received. The Company records the grant in net loss as a reduction of the cost of related expenditures in the period in which eligible costs are incurred. Where government grants are provided in the form of a forgivable loan, proceeds are recorded as a financial liability and not recognized as a reduction of the cost of the related expenditures incurred until reasonable assurance of forgiveness has been obtained. The Company received certain government assistance in the form of forgivable loans from the Canadian government in connection with the COVID-19 pandemic.

l) Recent Accounting Pronouncements

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended March 31, 2021 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statement.

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4. EXPLORATION AND EVALUATION ASSETS

	Sunnyside	Four Metals	San Antonio	Guajolote	Canelo and Goat Canyon	San Javier	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, March 31, 2019	4,838,026	48,419	-	-	-	-	4,886,445
Acquisition and staking costs	-	67,107	602,202	-	-	-	669,309
<i>Exploration expenditures:</i>							
Accommodation and related	72,452	-	-	-	-	-	72,452
Claim maintenance fees	69,603	8,735	75,022	-	-	-	153,360
Consulting	179,045	-	-	-	-	-	179,045
Data analysis	52,827	-	-	-	-	-	52,827
Geological	118,827	-	-	-	-	-	118,827
Geophysics	24,427	-	3,026	-	-	-	27,453
Permitting	569,165	-	8,946	-	-	-	578,111
Sampling and processing	11,945	-	-	-	-	-	11,945
Storage	4,420	1,481	-	-	-	-	5,901
Supplies and fuel	29,650	-	-	-	-	-	29,650
Truck rental	8,213	-	-	-	-	-	8,213
Balance, March 31, 2020	5,978,600	125,742	689,196	-	-	-	6,793,538
Acquisition and staking costs	-	66,139	-	33,095	44,310	988,000	1,131,544
<i>Exploration expenditures:</i>							
Accommodation and related	14,352	-	9,891	-	-	8,963	33,206
Claim maintenance fees	67,097	9,185	72,043	-	-	-	148,325
Consulting	174,150	-	9,235	-	2,308	153,864	339,557
Core transportation	63,798	-	-	-	-	-	63,798
Data analysis	130,300	-	-	-	-	-	130,300
Geological	6,909	-	-	-	-	8,609	15,518
Geophysics	6,013	-	6,014	-	-	52,169	64,196
Permitting	571,507	-	58,690	-	-	-	630,197
Sampling and processing	13,623	-	-	-	-	-	13,623
Storage	110	2,662	-	-	-	14,665	17,437
Supplies and fuel	1,407	-	627	-	-	15,786	17,820
Balance, March 31, 2021	7,027,866	203,728	845,696	33,095	46,618	1,242,056	9,399,059

Sunnyside Project

On August 10, 2017, the Company entered into an arm's length definitive agreement (the "Sunnyside Agreement") with Regal Resources USA, Inc. ("Regal US") to acquire, by way of option (the "Option"), up to 67.5% of the Sunnyside Property located in Santa Cruz County, Arizona.

The Option is exercisable in two stages with the Company entitled to acquire an initial 51% interest in the Sunnyside Property upon making payments totalling \$2,950,000 cash and the issuance of 10,100,000 common shares to Regal US and cumulative expenditures of \$6,000,000 on the property during the first two years of the Option (following receipt of all required governmental permits).

Upon acquiring an initial 51% interest in the Sunnyside Property, the Company will be entitled to increase its interest to 67.5% upon payment of an additional \$550,000 cash and the issuance of 4,900,000 common shares to Regal US and the expenditure of an additional \$6,000,000 on the property within a further two year period.

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sunnyside Project (Continued)

The following is a summary of the Option earn-in requirements:

Period	Cash \$	Exploration Requirement \$	Number of Shares
To Earn 51% Interest			
Upon execution of Sunnyside Agreements	100,000 (paid)	-	-
Within 3 days following TSXV acceptance of Option	650,000 (paid)	-	1,250,000 (issued)
On or before end of Year 1 *	1,200,000 (\$254,700 paid)	3,000,000 (incurred)	3,850,000 (issued)
On or before end of Year 2	1,000,000	3,000,000	5,000,000
To Increase Interest to 67.5%			
On or before end of Year 3	-	3,000,000	-
On or before end of Year 4	550,000	3,000,000	4,900,000
Total	3,500,000	12,000,000	15,000,000

* Year 1 shall commence on the date the Company has received all required governmental permits including drilling permits to carry out its initial exploration program on the Sunnyside Property. In November 2017, the Company paid the final option payment of \$254,700 (US\$200,000) to the original optionors on behalf of Regal US and the payment was credited towards the required cash payment of \$1,200,000.

Upon the Company earning either a 51% interest or 67.5% interest in the Sunnyside Property, the Company and Regal US will enter into and participate in a joint venture for the purpose of further exploring and developing the property. The Sunnyside Agreements contain provisions for dilution of a party's working interest for failure to fund joint venture cash calls, subject to automatic conversion of a party's interest into a 5% net proceeds interest (not to exceed 90% of the net amount of the party's contributed capital) if diluted to less than 10%. Barksdale will be the operator of the Sunnyside Property during the term of the Option and, if applicable, the joint venture.

The Sunnyside Agreement further provides that:

- a) during the first two years of the Option, Regal US shall vote all of its Barksdale shares in accordance with the recommendations of the Company's management from time to time, other than matters relating solely to Regal US or the Sunnyside Property and subject to Regal US's right to abstain from voting in its discretion;
- b) Regal US shall give the Company not less than five (5) days advance notice of any proposed sale of Barksdale shares for so long as Regal US owns 5% or more of the Company's outstanding shares;
- c) until such time as the Company has earned a 51% interest in the Sunnyside Property, the Company will not acquire, directly or indirectly, any common shares of Regal Resources Inc. ("Regal BC") without the prior consent of Regal BC;
- d) the Company has a 15 day right of first refusal to acquire all or any part of Regal US's remaining interest in the Sunnyside Property in the event of a proposed sale or transfer of such interest by Regal US;
- e) the Company is subject to an acceleration payment clause in the case of change of control of the Company or a transfer of the interest in the Sunnyside Property to a third party during the Option earn-in period; and
- f) the Sunnyside Agreement is subject to a net smelter royalty between 1.5% to 3%.

The Company may terminate the Option at any time, in its discretion, subject to satisfying any accrued obligations or liabilities including reclamation requirements, as required.

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Sunnyside Project (Continued)

In October 2020, the Company closed an agreement to acquire historic diamond drill core samples and data in exchange for 25,000 common shares of the Company with a fair value of \$12,750.

Four Metals Project

On April 19, 2018, the Company entered into a definitive option agreement with MinQuest, Ltd. and Allegiant Gold (U.S.) Ltd., a wholly-owned subsidiary of Allegiant Gold Ltd. (together "Allegiant") to acquire a 100% undivided interest in the Four Metals property ("Four Metals") located in Santa Cruz County, Arizona. In order to exercise the option, the Company must make option payments totaling US\$450,000 (the "Option Payments") to MinQuest Ltd. and Allegiant on a 50/50 basis, in cash and common shares of Barksdale (based on the volume weighted average of the Company's shares for the twenty trading days immediately preceding the date of issue subject to a minimum issue price of \$0.68) over a period of five years as follows:

Date	Cash US\$	Value of Shares US\$	Total US\$
Upon execution of option agreement	(paid) 25,000	-	25,000
April 19, 2019	(paid) 25,000	(issued) 25,000	50,000
April 19, 2020	(paid) 25,000	(issued) 25,000	50,000
April 19, 2021	(paid subsequently) 25,000	(issued subsequently) 25,000	50,000
April 19, 2022	25,000	25,000	50,000
April 19, 2023	100,000	125,000	225,000
Total	225,000	225,000	450,000

San Antonio Project

On July 15, 2019, the Company closed a purchase and sale agreement with Teck Resources Limited ("Teck") to acquire a 100% undivided interest in the San Antonio Property located in Santa Cruz County, Arizona, southeast of the Sunnyside Property, in consideration for 898,809 common shares of the Company (issued at a value of \$602,202). Additionally, Teck will retain a one and a half percent (1.5%) net smelter return royalty on future production and a right of first refusal over any future sale or other disposition of the San Antonio Property by the Company.

Guajolote Patented Mining Claim

In June 2020, the Company entered into an option agreement to acquire a 100% interest in a patented mining claim. The property is located within close proximity to the Company's projects located in Santa Cruz County, Arizona. In order to exercise the option, the Company will make option payments in cash and common shares of the Company (based on the volume weighted average of the Company's shares for the twenty trading days immediately preceding the date of issue subject to a minimum issue price of \$0.38) to the optionors as follows:

Date	Cash US\$	Value of Shares US\$	Total US\$
Upon execution of option agreement	-	(issued) 25,000	25,000
June 15, 2021	(paid subsequently) 50,000	(issued subsequently) 50,000	100,000
Total	50,000	75,000	125,000

The share consideration of the option payments is subject to certain acceleration clauses.

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4. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Canelo and Goat Canyon Property

In March 2021, the Company entered into a purchase and sale agreement to acquire a 100% interest in two separate copper exploration projects, the Canelo and Goat Canyon properties located in Santa Cruz Country, Arizona, from Kennecott Exploration Inc. ("Kennecott").

Consideration for the projects consisted of US\$35,000 in cash (paid subsequently) as well as a 2.0% net smelter return royalty that covers both properties. The Company will retain the right to repurchase half of the net smelter return at any time for a cash payment of US\$10,000,000. In the event that a mine is put into production on either property, a one-time cash payment of US\$3,500,000 will be payable to Kennecott upon reaching commercial production.

San Javier Project

In September 2020, the Company entered into a definitive option agreement to acquire a 100% interest in the San Javier copper-gold project from Tusk Exploration Ltd. ("Tusk") The San Javier property is located in central Sonora, Mexico. In order to exercise the option, the Company will make option payments to the optionors as follows:

Date	Cash \$	Number of Shares
Within 3 business days following the later of (a) execution and delivery of option agreement and (b) TSXV conditional acceptance ("Year 1")	*50,000	*4,000,000 *(2,600,000 issued)
On or before September 22, 2021 ("Year 2")	*100,000	*2,000,000
On or before the earlier of (a) September 22, 2023 and (b) the completion of a "pre-feasibility study" on the Property	150,000	3,000,000
On or before the earlier of (a) September 22, 2026 and (b) the date Barksdale enters into definitive documentation for financing the construction of a mine on the Property	200,000	4,000,000
Total	500,000	13,000,000

* Certain title issues exist with respect to three of the twelve mining concessions. Tusk has agreed to defer 35% of the Year 1 and Year 2 option cash and share payments until the title issues are rectified resulting in the Year 1 cash and share option payments being reduced from \$50,000 cash and 4,000,000 common shares of the Company to \$32,500 cash and 2,600,000 common shares. Tusk is in the process of rectifying the title issues, at which time the deferred Year 1 payments (being \$17,500 cash and 1,400,000 common shares) and, if applicable, any deferred Year 2 payments will be due.

Upon exercise of the option, the Company will be subject to a net smelter return on the San Javier project of 1.0% when copper prices are US\$3.50 or less per pound and 2.0% when copper prices are US\$3.51 or higher per pound. The royalty is subject to a right of first refusal in favor of the Company.

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

	Office Leases
Cost:	\$
At March 31, 2019	-
Additions	99,757
At March 31, 2020	99,757
Additions	136,616
Lease terminated	(80,530)
At March 31, 2021	155,843
Depreciation:	
At March 31, 2019	-
Charge for the year	24,939
At March 31, 2020	24,939
Adjustment from lease terminated	(40,265)
Charge for the year	38,705
At March 31, 2021	23,379
Net book value:	
At March 31, 2020	74,818
At March 31, 2021	132,464

Depreciation of right-of-use assets is calculated using the straight-line method over the remaining lease term.

Lease Liabilities

	\$
Lease liabilities recognized as of June 30, 2019	73,070
Lease liabilities recognized as of October 1, 2019	8,897
Lease payments made	(20,361)
Interest expense on lease liabilities	4,473
Foreign exchange adjustment	11,258
At March 31, 2020	77,337
Lease liabilities recognized as of December 1, 2020	136,616
Lease terminated as of December 31, 2020	(39,094)
Gain on lease termination	(2,127)
Lease payments made	(69,889)
Interest expense on lease liabilities	6,736
Foreign exchange adjustment	(7,683)
At March 31, 2021	101,896

The lease liabilities were discounted at a discount rate of 7%.

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease including assumed renewal periods are as follows:

	\$
Fiscal 2022	35,990
Fiscal 2023	31,085
Fiscal 2024	31,085
Fiscal 2025	31,085
Fiscal 2026	23,314

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6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2021	March 31, 2020
	\$	\$
Accounts payable	206,616	124,123
Accrued liabilities	169,567	141,859
	376,183	265,982

7. GOVERNMENT LOAN PAYABLE

During the year ended March 31, 2021, the Company applied for and received from the federal government of Canada loan of \$60,000 under the Canada Emergency Business Account (“CEBA”) program and the Company recorded the balance as government loan payable. If the loan is fully repaid by December 31, 2022, \$20,000 of the loan will be forgiven. If the loan is not fully repaid by December 31, 2022, the loan will incur 5% interest during the remaining term of the loan ending on December 31, 2025, the date by which the loan must be fully repaid. The Company intends to pay back the CEBA loan by December 2022.

8. SHARE CAPITAL AND RESERVES

Authorized Share Capital

The authorized share capital is comprised of an unlimited number of common shares without par value.

Issued Share Capital

During the year ended March 31, 2020:

In April 2019, the Company issued 66,032 common shares with a fair value of \$33,676 in accordance with the option agreement for Four Metals (Note 4).

In June 2019, the Company closed the first tranche of a non-brokered private placement financing of 3,409,795 common shares at a price of \$0.46 per share for gross proceeds of \$1,568,506.

In July 2019, the Company closed the final tranche of a non-brokered private placement financing of 606,928 common shares at a price of \$0.46 per share for gross proceeds of \$279,187. Share issuance costs of \$42,901 in cash were paid in connection with the private placement financings.

In August 2019, the Company issued 898,809 common shares in connection to the purchase and sale agreement for the San Antonio Property valued at \$602,202 (Note 4).

During the year ended March 31, 2020, the Company issued 50,000 common shares in connection with the exercise of 50,000 stock options with an exercise price of \$0.42 for total proceeds of \$21,000. In addition, the Company issued 247,500 common shares in connection with the exercise of 247,500 warrants with an exercise price of \$0.40 for total proceeds of \$99,000.

During the year ended March 31, 2021:

In April 2020, the Company issued 136,986 common shares with a fair value of \$31,506 in accordance with the option agreement for Four Metals (Note 4).

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8. SHARE CAPITAL AND RESERVES (CONTINUED)

Issued Share Capital (Continued)

In June 2020, the Company issued 89,445 common shares with a fair value of \$33,095 in accordance with the option agreement for Guajolote Lode Mining Claim (Note 4).

In September 2020, the Company closed the first tranche of a private placement financing of 15,263,158 units at a price of \$0.38 per unit for gross proceeds of \$5,800,000. Each unit consists of one common share of the Company and one-half share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.55 for a period, subject to acceleration, of 24 months following the closing of the financing. The Company incurred finders' fees and cash expenses of \$296,858 and issued 454,989 finders' warrants in connection with the financing.

In September 2020, the Company issued 2,600,000 common shares with a fair value of \$988,000 in accordance with the option agreement for San Javier Project (Note 4).

In October 2020, the Company closed the final tranche of a private placement financing with Teck of 1,381,579 units at a price of \$0.38 per unit for gross proceeds of \$525,000. Each unit consists of one common share of the Company and one-half share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.55 for a period, subject to acceleration clause, of 24 months following the closing of financing.

In October 2020, the Company closed an agreement to acquire historic diamond drill core samples and data related to the Sunnyside Project (Note 4) in exchange for 25,000 common shares of the Company with a fair value of \$12,750.

Stock Options

The Company's stock option plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

In March 2019, the Company granted 800,000 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.58 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at \$428,330, of which \$160,339 was recognized during the year ended March 31, 2019, \$205,013 was recognized during the year ended March 31, 2020, and \$62,977 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.43%, volatility of 198%, and nil forecasted dividend yield.

In April 2019, the Company granted 385,000 stock options to a director and an officer of the Company at an exercise price of \$0.52 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at \$195,819, of which \$156,269 was recognized during the year ended March 31, 2020 and \$37,229 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.49%, volatility of 204%, and nil forecasted dividend yield.

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8. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock Options (Continued)

In September 2019, the Company granted 200,000 stock options to a director of the Company at an exercise price of \$0.53 per share for a period of five years, vested as follows: 1/3 on the date of grant, 1/3 on the first anniversary and 1/3 on the second anniversary. The options were valued at \$99,649, of which \$59,502 was recognized during the year ended March 31, 2020 and \$32,286 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk-free rate of 1.42%, volatility of 203%, and nil forecasted dividend yield.

In January 2020, the Company granted 30,000 stock options to a consultant of the Company at an exercise price of \$0.365 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$5,824, of which \$2,948 was recognized during the year ended March 31, 2020 and \$2,877 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 1.44%, volatility of 82%, and nil forecasted dividend yield.

In February 2020, the Company granted 621,528 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.365 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$108,729, of which \$46,082 was recognized during the year ended March 31, 2020 and \$62,647 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 1.28%, volatility of 82%, and nil forecasted dividend yield.

In October 2020, the Company granted 925,000 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.50 per share for a period of three years, vested as follows: 2/3 on the date of grant and 1/3 on February 25, 2021. The options were valued at \$257,827, of which \$257,827 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 0.25%, volatility of 93%, and nil forecasted dividend yield.

In November 2020, the Company granted 250,000 stock options to an employee of the Company at an exercise price of \$0.68 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$87,925, of which \$61,647 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 0.30%, volatility of 87%, and nil forecasted dividend yield.

In December 2020, the Company granted 400,000 stock options to an officer and a director of the Company at an exercise price of \$0.63 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$139,071, of which \$89,873 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 0.25%, volatility of 87%, and nil forecasted dividend yield.

In February 2021, the Company granted 459,500 stock options to various directors, officers, and consultants of the Company at an exercise price of \$0.47 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant. The options were valued at \$122,496, of which \$51,968 was recognized during the year ended March 31, 2021, using the Black-Scholes pricing model with the following assumptions: estimated life of three years, risk-free rate of 0.32%, volatility of 89%, and nil forecasted dividend yield.

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8. SHARE CAPITAL AND RESERVES (CONTINUED)

Stock Options (Continued)

During the year ended March 31, 2021, 15,000 stock options were cancelled and as a result, \$8,031 was reclassified from reserves to deficit.

A summary of stock options activities is as follows:

	Number of options #	Weighted average exercise price \$
Balance, March 31, 2019	3,650,000	0.55
Granted	1,236,528	0.44
Exercised	(50,000)	0.42
Cancelled	(530,000)	0.51
Balance, March 31, 2020	4,306,528	0.53
Granted	2,034,500	0.54
Cancelled	(15,000)	0.58
Balance, March 31, 2021	6,326,028	0.53

A summary of the stock options outstanding and exercisable at March 31, 2021 is as follows:

Exercise Price \$	Number Outstanding	Number Exercisable	Expiry Date
0.42	1,600,000	1,600,000	October 6, 2022
0.88	600,000	600,000	November 14, 2022
0.365	30,000	30,000	January 28, 2023
0.365	621,528	621,528	February 26, 2023
0.79	100,000	100,000	April 19, 2023
0.50	925,000	925,000	October 8, 2023
0.68	250,000	83,333	November 16, 2023
0.63	400,000	133,333	December 7, 2023
0.47	459,500	153,167	February 26, 2024
0.58	755,000	755,000	March 1, 2024
0.52	385,000	256,667	April 26, 2024
0.53	200,000	133,333	September 20, 2024
	6,326,028	5,391,361	

The weighted average life of options outstanding at March 31, 2021 was 2.27 years.

Warrants

In September 2020, 7,631,579 warrants and 454,989 finder's warrants were issued in connection with the private placement financing. Each warrant or finder's warrant entitles the holder to purchase one common share of the Company at a price of \$0.55 for a period of two years from closing. The finders' warrant of 454,989 were valued at \$56,292 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 0.25%, volatility of 80%, and nil forecasted dividend yield.

In October 2020, 690,789 warrants were issued in connection with the private placement financing. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.55 for a period of two years from closing.

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8. SHARE CAPITAL AND RESERVES (CONTINUED)

Warrants (Continued)

During the year ended March 31, 2021, 350,000 warrants expired and as a result, \$118,226 was reclassified from reserves to share capital.

A summary of warrant activities is as follows:

	Number of warrants	Weighted average exercise price
	#	\$
Balance, March 31, 2019	657,500	0.51
Exercised	(247,500)	0.40
Expired	(60,000)	0.40
Balance, March 31, 2020	350,000	0.60
Issued	8,777,357	0.55
Expired	(350,000)	0.60
Balance, March 31, 2021	8,777,357	0.55

A summary of the warrants outstanding and exercisable at March 31, 2021 is as follows:

Exercise Price	Number Outstanding and Exercisable	Expiry Date
\$		
0.55	8,086,567	September 29, 2022
0.55	690,790	October 1, 2022
	8,777,357	

The weighted average life of warrants outstanding at March 31, 2021 was 1.50 years.

9. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the persons responsible for the planning, directing, and controlling of the activities of the Company and include both executives and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

During the year ended March 31, 2021, the Company entered into the following transactions with key management personnel:

	For the years ended March 31,	
	2021	2020
	\$	\$
Management fees	516,000	522,086
Exploration and evaluation assets	77,882	70,957
Professional fees	84,500	93,200
Share-based compensation	624,970	472,976
	1,303,352	1,159,219

During the year ended March 31, 2021, the Company incurred rent of \$nil (2020 - \$7,500) to a company related by a former director and a former common officer.

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9. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

As at March 31, 2021, the Company has \$88,150 (2020 - \$99,165) included in accounts payable and accrued liabilities due to officers, directors, and companies controlled by officers and directors for management fees, professional fees, and reimbursement of expenses.

10. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

March 31, 2021	Canada	USA	Mexico	Total
	\$	\$	\$	\$
Exploration and evaluation assets	-	8,157,003	1,242,056	9,399,059
Right-of-use assets	-	132,464	-	132,464
Other assets	5,681,385	236,333	-	5,917,718
Total assets	5,681,385	8,525,800	1,242,056	15,449,241
March 31, 2020	Canada	USA	Mexico	Total
	\$	\$	\$	\$
Exploration and evaluation assets	-	6,793,538	-	6,793,538
Right-of-use assets	-	74,818	-	74,818
Other assets	2,632,188	235,807	-	2,867,995
Total assets	2,632,188	7,104,163	-	9,736,351

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 Company's financial instruments consist of cash, receivables, lease liabilities, and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) **Currency risk**

The Company conducts the majority of exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates of the Canadian and US dollars. As at March 31, 2021, the Company had a foreign currency net monetary asset position of approximately US\$1,384,612. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$138,500.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

- b) Credit risk
Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and its receivables are due from the Government of Canada. As such, the Company determined that it is not exposed to significant credit risk.
- c) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and highly liquid short-term investments. The Company is not exposed to interest rate risk with its lease liability as it is not subject to floating interest rates.
- d) Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.
- e) Commodity price risk
The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of copper, zinc and other base metals. The Company monitors these metal prices to determine the appropriate course of action to be taken.

12. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of all components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the exploration of its mineral properties. The Company is an exploration stage company, as such the Company is dependent on external equity financing to fund its activities. In order to pay for administrative costs and exploration expenditures, the Company plans to raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2021. The Company is not subject to externally imposed capital requirements.

13. COMMITMENTS

In September 2018, the Company entered into an employment agreement with an officer of the Company to provide management services to the Company for an indefinite term. The agreement requires payment of \$174,000 per annum (\$14,500 per month). Included in the agreement is a provision for a two year payout and the average discretionary bonuses paid in the preceding two years in the event of termination without cause or in the event of a change in control.

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13. COMMITMENTS (CONTINUED)

In September 2018, the Company entered into two separate management consulting services agreements with a former officer and an officer of the Company to provide management services to the Company for an indefinite term. The agreements require total combined payments of \$177,000 per annum (\$14,750 per month). Included in the agreement is a provision for a one year payout and the average discretionary bonuses paid in the preceding two years in the event of termination without cause or in the event of a change in control.

In April 2019, the Company entered into an employment agreement with an officer of the Company to provide management services to the Company for an indefinite term. The agreement requires payment of \$120,000 per annum (\$10,000 per month). Included in the agreement is a provision for a one month payout for each full year employment, up to a maximum of six months payout, in the event of termination without cause or a one year payout in the event of termination upon change in control.

In November 2020, the Company entered into an employment agreement with an officer of the Company to oversee the advancement of the Company's project portfolio for an indefinite term. The agreement requires a payment of US\$7,167 per month. Included in the agreement is a provision for a two year payout and the average discretionary bonuses paid in the preceding two years in the event of termination following a change in control and a six month payout in the event of termination without cause.

In December 2020, the Company entered into an employment agreement with an officer of the Company to oversee the advancement of the Company's project explorations for an indefinite term. The agreement requires a payment of US\$6,667 per month. Included in the agreement is a provision for a two year payout and the average discretionary bonuses paid in the preceding two years in the event of termination following a change in control and a six month payout in the event of termination without cause.

In February 2021, the Company entered into a consulting agreement with an officer of the Company to provide management services to the Company for one year, renewable annually. The agreement requires a payment of \$3,000 per month. Included in the agreement is a provision for two months payout in the event of termination without cause or a one year payout in the event of a change in control.

14. INCOME TAXES

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

	2021	2020
	\$	\$
Loss for the year	(2,234,694)	(2,004,731)
Expected income tax (recovery)	(603,000)	(541,000)
Change in statutory, foreign tax, foreign exchange rates and other	1,000	7,000
Permanent differences	178,000	147,000
Share issue costs	(80,000)	(12,000)
Adjustment to prior years provision versus statutory tax returns	(2,000)	3,000
Change in unrecognized deductible temporary differences	506,000	396,000
Total income tax expense (recovery)	-	-

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14. INCOME TAXES (CONTINUED)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry Date Range	2020	Expiry Date Range
	\$		\$	
Temporary Differences				
Exploration and evaluation assets	4,361,000	No expiry date	4,361,000	No expiry date
Other	-	No expiry date	3,000	No expiry date
Share issue costs	394,000	2042 to 2045	245,000	2041 to 2044
Allowable capital losses	41,000	No expiry date	41,000	No expiry date
Non-capital losses available for future period				
Canada	10,994,000	2027 to 2041	9,449,000	2027 to 2040
USA	459,000	No expiry date	260,000	No expiry date
Mexico	28,000	2021 to 2031	-	N/A

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

15. SUBSEQUENT EVENTS

- a. In April 2021, the Company issued 61,888 common shares in accordance with the option agreement for the Four Metals (Note 4).
- b. In May 2021, the Company granted 200,000 stock options to a consultant of the Company at an exercise price of \$0.53 per share for a period of three years, vested as follows: 1/3 on the date of grant, 1/3 six months from the date of grant, and 1/3 twelve months from the date of grant.
- c. In May 2021, the Company entered into a definitive purchase agreement with Regal BC whereby the Company would consolidate a 100% interest in the Sunnyside project (the "Transaction"). Subsequently in July 2021, Regal BC failed to obtain the required numbers of votes for approval of the Transaction, and as a result, the Transaction was terminated. Pursuant to the definitive purchase agreement, the Company is entitled to offset \$150,000 of transaction costs against its future option payment obligations due to Regal BC under the Sunnyside Agreement. Additionally, the Company will offset double the costs against the Sunnyside Agreement related to Regal BC's hiring of a proxy agent.

In connection with the Transaction, the Company acquired a \$1,725,000 secured demand loan that accrues interest at 8% per annum and is due on October 27, 2021. The Company acquired this loan for a cost of \$1,000,000 in cash and the issuance of 1,345,310 shares from an existing Regal BC debt holder.

As part of the Transaction, the Company extended a \$1.43 million bridge loan to Regal BC in May 2021 for the purpose of repaying Regal US's existing convertible debenture. The payment was refused by the debenture holder and the bridge loan were returned to the Company in June 2021.

- d. In June 2021, the Company issued 100,138 common shares in accordance with the option agreement for the Guajolote Patented Mining Claim (Note 4).
- e. In June 2021, the Company issued 66,500 common shares in connection with the exercise of 66,500 stock options with an exercise price of \$0.53 for total proceeds of \$35,245.