SCANDIUM INTERNATIONAL

MINING CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Scandium International Mining Corp.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Scandium International Mining Corp. (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of loss and comprehensive loss, changes in cash flows, and changes in equity (deficiency) for the years ended December 31, 2021 and 2020, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years ended December 31, 2021 and 2020, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company currently earns no operating revenues and will require additional capital. These material uncertainties raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Mineral property interests impairment consideration

At December 31, 2021, the Company's mineral property interests balance totaled $704,053. As more fully described in Note 2 to the financial statements, the Company evaluates its mining and mineral rights for impairment whenever events or changes in circumstances indicate that the carrying amounts of the asset or group of assets may not be recoverable. Management evaluates various qualitative factors in determining whether or not events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable.

Auditing the Company's impairment assessment involved our subjective judgment because, in determining whether any indicators of impairment occurred, management uses judgments that include, among others, assumptions about management's intentions and future exploration plans, the ability to fund continued exploration activities, forecasts on future scandium metal prices, and market capitalization. Significant uncertainty exists with these assumptions. Further, management's evaluation of any new information indicating that continued exploration will not likely occur requires significant judgment.

To test the Company's impairment assessment, our audit procedures included, among others, assessing the Company's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as mining lease applications and final decisions from governmental bodies; evaluating the Company's ability and intent to carry out significant exploration and evaluation activity; considering whether there was any other data or information that indicated the carrying amount of the capitalized mineral property interests would not be recovered in full from successful development or by sale; and assessing the adequacy of the associated disclosures in the financial statements.

We have served as the Company's auditor since 2008.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada

Chartered Professional Accountants

March 11, 2022

Scandium International Mining Corp.
CONSOLIDATED BALANCE SHEETS
(Expressed in US Dollars)

As at:		December 31, 2021		December 31, 2020
ASSETS				
Current				
Cash	$	93,894	$	170,284
Prepaid expenses and receivables		35,042		42,430
		128,936		212,714
Reclamation bond (Note 4)		11,444		11,444
Equipment (Note 3)		2,932		4,660
Mineral property interests (Note 4)		704,053		704,053
Total Assets	$	847,365	$	932,871
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
Current				
Accounts payable and accrued liabilities	$	568,001	$	451,932
Accounts payable with related parties (Note 5)		1,159,713		702,456
Total Liabilities		1,727,714		1,154,388
Shareholders' Deficiency				
Capital stock (Note 6) (Authorized: Unlimited number of common shares; Issued and outstanding: 317,157,595 (2020 – 314,032,595))		110,149,177		109,627,071
Treasury stock (Note 7) (1,033,333 common shares) (2020 – 1,033,333)		(1,264,194)		(1,264,194)
Additional paid in capital (Note 6)		6,891,510		6,505,416
Accumulated other comprehensive loss		(853,400)		(853,400)
Deficit		(115,803,442)		(114,236,410)
Total Equity Shareholders' Deficiency		(880,349)		(221,517)
Total Liabilities and Shareholders' Deficiency	$	847,365	$	932,871

Nature and continuance of operations (Note 1)

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

Scandium International Mining Corp.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in US Dollars)

Years ended:	December 31, 2021	December 31, 2020
EXPENSES		
Amortization (Note 3)	$ 1,728	$ 2,307
Consulting (Note 5)	130,622	129,553
Exploration	70,450	80,782
General and administrative	212,795	289,462
Insurance	35,535	33,298
Professional fees	63,459	53,795
Salaries and benefits	465,599	460,809
Stock-based compensation (Notes 5 & 6)	610,385	684,055
Travel and entertainment	380	5,180
	(1,590,953)	(1,739,241)
Foreign exchange gain (loss)	23,921	(31,029)
Sale of royalty (Note 11)	-	382,430
Loss and comprehensive loss for the year	$ (1,567,032)	$ (1,387,840)
Basic and diluted loss per common share	$ (0.00)	$ (0.00)
Basic and diluted weighted average number of common shares outstanding	316,169,361	312,605,335

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

Scandium International Mining Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US Dollars)

Years ended:	December 31, 2021	December 31, 2020
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	$ (1,567,032)	$ (1,387,840)
Items not affecting cash:		
Amortization	1,728	2,307
Stock-based compensation	610,385	684,055
Changes in non-cash working capital items:		
Decrease in prepaids and receivables	7,388	3,333
Increase in accounts payable, accrued liabilities and accounts payable with related parties	573,326	616,164
	(374,205)	(81,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Options exercised for common shares	297,815	136,697
	297,815	136,697
Change in cash during the year	(76,390)	54,716
Cash, beginning of year	170,284	115,568
Cash, end of year	$ 93,894	$ 170,284

Supplemental disclosure with respect to cash flows (Note 10)

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

Scandium International Mining Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in US Dollars)

	Number of Shares	Capital Stock	Additional Paid in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity (Deficiency)
Balance, December 31, 2019	**312,482,595**	**$ 109,375,661**	**$ 5,936,074**	**$ (1,264,194)**	**$ (853,400)**	**$ (112,848,570)**	**$ 345,571**
Options exercised	1,550,000	251,410	(114,713)	-	-	-	136,697
Stock-based compensation	-	-	684,055	-	-	-	684,055
Loss for the year	-	-	-	-	-	(1,387,840)	(1,387,840)
Balance, December 31, 2020	**314,032,595**	**109,627,071**	**6,505,416**	**(1,264,194)**	**(853,400)**	**(114,236,410)**	**(221,517)**
Options exercised	3,125,000	522,106	(224,291)	-	-	-	297,815
Stock-based compensation	-	-	610,385	-	-	-	610,385
Loss for the year	-	-	-	-	-	(1,567,032)	(1,567,032)
Balance, December 31, 2021	**317,157,595**	**$ 110,149,177**	**$ 6,891,510**	**$ (1,264,194)**	**$ (853,400)**	**$(115,803,442)**	**$ (880,349)**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Scandium International is a specialty metals company focused on the evaluation and potential development of projects into producing assets. The Company pursues project opportunities from both known geologic resources and existing mine process solutions when it identifies further recovery potential.

The Company is an exploration stage company and anticipates incurring significant additional expenditures prior to production at any and all of its properties. The Company was incorporated under the laws of the Province of British Columbia, Canada in 2006. The Company currently trades on the Toronto Stock Exchange under the symbol "SCY".

These consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities at their carrying values in the normal course of business for the foreseeable future. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

The Company currently earns no operating revenues and will require additional capital in order to advance both the Nyngan property and the Critical Metals Recovery program with Nevada Gold Mines. The Company's ability to continue as a going concern is uncertain and is dependent upon the generation of profits from mineral properties, obtaining additional financing and maintaining continued support from its shareholders and creditors. These are material uncertainties that raise substantial doubt about the Company's ability to continue as a going concern. In the event that additional financial support is not received, or operating profits are not generated, the carrying values of the Company's assets may be adversely affected.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, leading to an economic downturn. 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 ability to raise funds.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

These consolidated financial statements have been prepared in conformity with generally accepted accounting principles of the United States of America ("US GAAP").

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, EMC Metals USA Inc., Scandium International Mining Corp. Norway AS, SCY Exploration Finland Oy and EMC Metals Australia Pty Ltd.("EMC-A"). All significant intercompany accounts and transactions have been eliminated on consolidation.

b) Use of estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to the deferred income tax asset valuations, asset impairment, stock-based compensation and loss contingencies. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between estimates and the actual results, future results of operations will be affected.

The Company considers itself to be an exploration stage company and will consider the transition to development stage after it receives funding to begin mine construction, and board approval.

c) Equipment

Equipment is recorded at cost less accumulated amortization, calculated as follows:

Computer equipment	30% straight line

d) Mineral interests and exploration and development costs

The costs of acquiring mineral interests are capitalized at the date of acquisition. After acquisition, various factors can affect the recoverability of the capitalized costs. If, after review, management concludes that the carrying amount of a mineral interest is impaired, it will be written down to estimated fair value. Exploration costs incurred on mineral interests are expensed as incurred. Development costs incurred on proven and probable reserves will be capitalized. Upon commencement of production, capitalized costs will be amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Asset retirement obligations

The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the long-lived assets. The Company also records a corresponding asset which is amortized over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying the obligation (asset retirement cost).

f) Long-lived assets

Long-lived assets held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted net cash flows or fair value in use related to the long-lived assets. If such assets are considered to be impaired, the impairment recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

g) Income taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that some part or all of the deferred tax asset will not be recognized.

h) Loss per share

Basic loss per common share is computed using the weighted average number of common shares outstanding during the year. To calculate diluted loss per share, the Company uses the treasury stock method and the if converted method. As at December 31, 2021 and 2020 there were no warrants outstanding and 34,615,000 options (2020 – 35,100,000) outstanding which have not been included in the weighted average number of common shares outstanding as these were anti-dilutive.

i) Foreign exchange

The Company's and subsidiaries' functional currency is the US Dollar ("USD"). Any monetary assets and liabilities that are in a currency other than the USD are translated at the rate prevailing at year end. Revenue and expenses in a foreign currency are translated at rates that approximate those in effect at the time of translation. Gains and losses from translation of foreign currency transactions into USD are included in current results of operations. Fixed assets and mineral properties have been translated at historical rates, the rate on the date of the transaction.

j) Stock-based compensation

The Company accounts for stock-based compensation under the provisions of Accounting Standard Codification ("ASC") 718, "Compensation-Stock Compensation." Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date for all stock-based awards to employees, directors and non-employees and is recognized as an expense over the requisite service period, which is generally the vesting period. The Black-Scholes option valuation model is used to calculate fair value.

k) Financial instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and accounts payable with related parties. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values unless otherwise noted. The Company has its cash primarily in three commercial banks, one in Chicago, Illinois, United States of America, one in Vancouver, British Columbia, Canada and one in Melbourne, Victoria, Australia.

l) Concentration of credit risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash. The Company maintains cash in bank accounts that, at times, may exceed federally insured limits. As at December 31, 2021, the Company has not exceeded the federally insured limit. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash in bank accounts.

(Expressed in US Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m) Fair value of financial assets and liabilities

The Company measures the fair value of financial assets and liabilities based on US GAAP guidance which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization. Financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

Financial instruments, including receivables, accounts payable and accrued liabilities, and accounts payable with related parties are carried at amortized cost, which management believes approximates fair value due to the short-term nature of these instruments.

The following table presents information about the assets that are measured at fair value on a recurring basis as at December 31, 2021 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset:

	December 31, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash	$ 93,894	$ 93,894	$ —	$ —
Total	$ 93,894	$ 93,894	$ —	$ —

The fair values of cash are determined through market, observable and corroborated sources.

n) Recently Adopted and Recently Issued Accounting Standards

Accounting Standards Update 2021-04 - Earnings Per Share (Topic 260), Debt Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging Contracts in Entity's Own Equity (Subtopic 815-40). This update is to provide clarity around earnings per share calculations and is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company is reviewing this standard but expects little or no impact on its financial statements.

Accounting Standards Update 2019-12 – Income Taxes (Topic 740), The Financial Accounting Standards Board ("Board") is issuing this Update as part of its initiative to reduce complexity in accounting standards. This standard is effective for interim and annual reporting periods beginning after December 15, 2020, with early adoption permitted. The Company has implemented this standard for 2021, with little or no impact on its financial statements.

Accounting Standards Update 2019-01 – Leases (Topic 842), Codification Improvements - Issue 3 Transition Disclosures Related to Topic 250, Accounting Changes and Error Corrections. The amendments in this Update clarify the Board's original intent by explicitly providing an exception to the paragraph 250-10-50-3 interim disclosure requirements in the Topic 842 transition disclosure requirements. The Company has implemented this standard for 2021, with little or no impact on its financial statements.

(Expressed in US Dollars)

3. EQUIPMENT

2021

	December 31, 2020 Net Book Value	Additions (disposals)	Amortization	December 31, 2021 Net Book Value
Computer equipment	$ 4,660	$ -	$ (1,728)	$ 2,932

2020

	December 31, 2019 Net Book Value	Additions (disposals)	Amortization	December 31, 2020 Net Book Value
Computer equipment	$ 6,967	$ -	$ (2,307)	$ 4,660

4. MINERAL PROPERTY INTERESTS

	Scandium and other
Acquisition costs	
Balance, December 31, 2021, 2020, and 2019	$ 704,053

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral property interests. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its properties is in good standing.

SCANDIUM PROPERTIES AND CRITICAL METALS RECOVERY PROJECT

Nyngan, New South Wales Property

The Company holds a 100% interest in the Nyngan property in New South Wales, Australia (NSW). A definitive feasibility study was completed on the property in 2016.

In April 2019, the Company received notice from the New South Wales Department of Planning and Environment (the “Department”) that, due to a procedural issue within the Department, the Company’s Mine Lease Grant (“ML 1763”) pertaining to the Nyngan Scandium Project, previously issued by the Department, was invalid. On September 10, 2020, the Company announced receipt of a Final Determination letter from the Deputy Secretary, Mining, Exploration and Geoscience resolving the outstanding objection filed by the landowner in 2016. This Final Determination will allow all measured and indicated resources included in the Nyngan Scandium Project Definitive Feasibility Study (“DFS”) to be reinstated in a Mining Lease grant. In May 2019, the Company filed a new mine lease application related to the Nyngan Scandium Project to compensate for the procedural issue. On July 24, 2019, the Company announced that a new mine lease (“ML 1792”) had been granted.

Royalties attached to the Nyngan property include a 0.7% royalty on gross mineral sales on the property, a 1.5% Net Profits Interest royalty to private parties involved with the early exploration on the property, and a 1.7% Net Smelter Returns royalty payable for 12 years after production commences. Another revenue royalty is payable to private interests of 0.2%, subject to a $370,000 cap. A NSW minerals royalty will also be levied on the project, subject to negotiation, currently 4% on revenue.

Honeybugle property, Australia

The Company holds a 100% interest in the Honeybugle property.

Kiviniemi Scandium Property Finland

In August 2018, the Company was granted an Exploration License for the Kiviniemi Scandium Property in central Finland from the Finnish regulatory body governing mineral exploration and mining in Finland. During fiscal 2018, a reclamation bond of $11,444 (€10,000) was placed.

4. MINERAL PROPERTY INTERESTS (cont'd…)

Critical Metals Recovery Project

In June 2021, the Company entered into a Letter of Intent ("LOI") with Nevada Gold Mines ("NGM") to initiate a joint technical and economic feasibility program at NGM's Phoenix Mine, near Battle Mountain, Nevada. The purpose of this joint development program is to confirm the economic and technical viability of a critical metals recovery **("CMR")** project at the mine site. The LOI defines a detailed $2.7 million spend program to be split 50:50 by the partners. With program completion, the partners intend to take an investment decision on construction and operation of a plant facility to recover critical metals from mine solutions.

5. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Company expensed $441,277 for stock-based compensation for stock options issued to Company directors. During the year ended December 31, 2020, the Company expensed $542,772 for stock options issued to Company directors.

During each of the years ended December 31, 2021, and December 31, 2020 the Company paid a consulting fee of $102,000 to one of its directors.

As at December 31, 2021, the Company owed $1,159,713 (2020 - $702,456) to officers of the Company.

6. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL

Stock Options

The Company established a stock option plan (the "Plan") under which it is authorized to grant options to executive officers and directors, employees and consultants and the number of options granted under the Plan shall not exceed 15% of the shares outstanding. Under the Plan, the exercise period of the options may not exceed ten years from the date of grant and vesting is determined by the Board of Directors.

Stock option transactions are summarized as follows:

	Stock Options	
	Number	Weighted average exercise price in Canadian $
Outstanding, December 31, 2019	34,610,000	$ 0.19
Granted	14,425,000	0.10
Exercised	(1,550,000)	0.12
Expired	(12,385,000)	0.14
Outstanding, December 31, 2020	35,100,000	0.17
Granted	6,175,000	0.18
Exercised	(3,125,000)	0.12
Expired	(3,535,000)	0.16
Outstanding, December 31, 2021	34,615,000	$ 0.18
Number currently exercisable	34,615,000	$ 0.18

6. CAPITAL STOCK AND ADDITIONAL PAID IN CAPITAL (cont'd…)

As at December 31, 2021, incentive stock options were outstanding as follows:

	Number of Options (outstanding)	Number of Options (exercisable)	Exercise Price in Canadian $	Expiry Date
Options				
	4,400,000	4,400,000	0.370	February 21, 2022*
	250,000	250,000	0.300	October 6, 2022
	5,700,000	5,700,000	0.225	January 19, 2023
	350,000	350,000	0.185	August 30, 2023
	4,240,000	4,240,000	0.150	May 9, 2024
	50,000	50,000	0.130	June 24, 2024
	7,450,000	4,450,000	0.065	March 19, 2025
	100,000	100,000	0.075	May 22, 2025
	5,900,000	5,900,000	0.140	November 13, 2025
	6,175,000	6,175,000	0.180	May 23, 2026
	34,615,000	34,615,000		

*Options expired subsequent to year-end unexercised.

As at December 31, 2021 the Company's outstanding and exercisable stock options have an aggregate intrinsic value of $445,466 (2020 - $1,891,329).

Stock-based compensation

During the year ended December 31, 2021, the Company recognized stock-based compensation of $610,385 (December 31, 2020 - $684,055) in the statement of loss and comprehensive loss. There were 6,175,000 stock options granted during the year ended December 31, 2021 (December 31, 2020 – 14,425,000).

The weighted average fair value of the options granted in the year was C$0.18 (2020 - C$0.10).

The fair value of all compensatory options granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average assumptions used in calculating the fair values of stock options granted in the year ended December 31,2021 are as follows:

	2021	2020
Risk-free interest rate	0.32%	2.31%
Expected life	5 years	5 years
Volatility	87.19%	90.40%
Forfeiture rate	0.00%	0.00%
Dividend rate	0.00%	0.00%

(Expressed in US Dollars)

7. TREASURY STOCK

	Number		Amount
Treasury shares, December 31, 2021, 2020, and 2019	1,033,333	$	1,264,194

Treasury shares comprise shares of the Company which cannot be sold without the prior approval of the TSX.

8. SEGMENTED INFORMATION

The Company's mineral properties are located in Australia. The Company's capital assets' geographic information is as follows:

December 31, 2021		Australia		United States		Total
Equipment	$	-	$	2,932	$	2,932
Mineral property interests		704,053		-		704,053
	$	704,053	$	2,932	$	706,958

December 31, 2020		Australia		United States		Total
Equipment	$	-	$	4,660	$	4,660
Mineral property interests		704,053		-		704,053
	$	704,053	$	4,660	$	708,713

9. INCOME TAX

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

		2021		2020
Loss before income taxes	$	(1,567,032)	$	(1,387,840)
Expected income tax (recovery)		(407,000)		(361,000)
Change in statutory, foreign exchange rates, and other		17,000		120,000
Permanent difference		154,000		182,000
Impact of foreign exchange		(38,000)		(190,000)
Adjustment to prior years provision versus statutory tax returns		119,000		(293,000)
Change in unrecognized deductible temporary differences		155,000		542,000
Total Income tax expense (recovery)	$	-	$	-

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2021		2020
Deferred Tax Assets (Liabilities)				
Exploration and evaluation assets	$	1,829,000	$	1,803,000
Property and equipment		105,000		104,000
Marketable securities		-		19,000
Allowable capital losses		1,891,000		1,845,000
Non-capital losses available for future periods		6,591,000		6,450,000
		10,416,000		10,261,000
Unrecognized deferred tax assets		(10,416,000)		(10,261,000)
Net deferred tax assets	$	-	$	-

(Expressed in US Dollars)

9. INCOME TAX (cont'd…)

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	$	7,036,000	No expiry date	$6,937,000	No expiry date
Property and equipment		403,000	No expiry date	400,000	No expiry date
Marketable securities		-	-	145,000	No expiry date
Allowable capital losses		7,274,000	No expiry date	7,250,000	No expiry date
Non-capital losses available for future periods		25,349,000	2021 to 2041	24,807,000	2019 to 2040

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no major non-cash transactions in the year ended December 31, 2021, and 2020.

There were no amounts paid for taxes and interest in the years ended December 31, 2021, and December 31, 2020.

11. SALE OF ROYALTY

On January 16, 2020, the Company received net proceeds of $382,430 (C$500,000) from completion of a royalty buyback agreement. The Company's royalty interest was related to the Windfall Lake gold property in Quebec, Canada, and was carried at zero value on the balance sheet.