



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
OCTOBER 31, 2021 and 2020**

(Expressed in Canadian Dollars, unless otherwise stated)

## Independent Auditor's Report

To the Shareholders of Blackwolf Copper & Gold Ltd.

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Blackwolf Copper & Gold Ltd. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Company as at October 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### Basis for Opinion

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

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of operating revenue and has accumulated significant losses since inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Other Information

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

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. 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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is James D. Gray.

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

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada  
February 25, 2022

**Blackwolf Copper and Gold Ltd**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

	Notes	October 31 2021	October 31 2020 Note 2
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 389,986	\$ 4,725,262
Amounts receivable and prepaid expenses	4	517,225	88,818
<b>Total current assets</b>		907,211	4,814,080
Equipment	5	589,937	66,660
Restricted cash	3(b)	911,979	980,760
Mineral properties	6	1	1
<b>Total Assets</b>		<b>\$ 2,409,128</b>	<b>\$ 5,861,501</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		890,785	\$ 1,012,164
Payables to related parties	7	27,968	80,553
<b>Total current liabilities</b>		918,753	1,092,717
Provision for rehabilitation obligation	9	1,570,678	1,689,138
<b>Total liabilities</b>		2,489,431	2,781,855
<b>EQUITY (DEFICIENCY)</b>			
Share capital	10(a)	81,465,101	76,089,046
Reserves		6,339,673	5,762,968
Accumulated deficit		(87,896,569)	(78,772,368)
Accumulated other comprehensive income/(loss)		11,492	-
<b>Total Equity/(Deficiency)</b>		(80,303)	3,079,646
<b>Total Equity and Liabilities</b>		<b>\$ 2,409,128</b>	<b>\$ 5,861,501</b>

Continuance of operations and going concern (Note 1)  
Subsequent Events (Note 13)

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

The consolidated financial statements are signed on the Company's behalf by:

/s/ Jessica Van Den Akker

Jessica Van Den Akker  
Director

/s/ Ron Stewart

Ron Stewart  
Director

**Blackwolf Copper and Gold Ltd**  
**Consolidated Statements of Comprehensive Loss**  
(Expressed in Canadian Dollars)

	Notes	Year ended October 31	
		2021	2020 Restated Note 2
<b>Expenses</b>			
Exploration and evaluation expenses	5, 6	\$ 6,652,626	\$ 627,017
Management fees, director fees, wages and benefits	7	1,055,435	482,540
Office and other		312,341	166,627
Professional services		286,834	116,055
Regulatory		36,487	53,086
Marketing and investor relations		200,373	96,865
Travel		1,510	-
Share-based compensation	10(e)	588,012	234,572
		9,133,618	1,776,762
<b>Other income/expenses</b>			
Foreign exchange loss (gain)		12,377	(12,787)
Finance income		(21,794)	(7,772)
Other income		-	(28,067)
Gain on settlement of related party payables	7(a)	-	(608,977)
Loss on settlement of convertible debenture	8	-	420,000
<b>Net Loss</b>		<b>9,124,201</b>	<b>1,539,159</b>
<b>Other comprehensive loss/(income)</b>			
Foreign currency translation adjustment		(11,492)	3,620
<b>Comprehensive loss</b>		<b>\$ 9,112,709</b>	<b>\$ 1,542,779</b>
Basic and diluted loss per common share		\$ 0.35	\$ 0.14
Weighted average number of common shares outstanding		25,797,340	11,400,366

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

**Blackwolf Copper and Gold Ltd**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

	Year ended October 31		
	Notes	2021	2020 Restated Note 2
<b>Operating activities</b>			
Loss for the year		\$ (9,124,201)	\$ (1,539,159)
<u>Non-cash or non operating items:</u>			
Depreciation		92,625	13,475
Stock based compensation		588,012	234,572
Foreign exchange loss (gain)		(40,158)	(84,910)
Finance income		-	(7,772)
Gain on settlement of related party payables		-	(608,977)
Loss on settlement of convertible debenture		-	420,000
<u>Changes in non-cash working capital items:</u>			
Amounts receivable and prepaid expenses		(435,294)	(37,089)
Trade and other payables		(106,079)	763,476
Payables to related parties		(52,585)	88,537
<b>Net cash used in operating activities</b>		<b>(9,077,680)</b>	<b>(757,847)</b>
<b>Investing activities</b>			
Interest received		-	3,195
Purchase of plant and equipment		(622,344)	(35,927)
<b>Net cash from/(used) investing activities</b>		<b>(622,344)</b>	<b>(32,732)</b>
<b>Financing activities</b>			
Proceeds from private placement financing		5,398,000	5,820,000
Share issue costs		(135,020)	(315,108)
Exercise of warrants		89,268	-
Exercise of stock options		12,500	-
<b>Net cash from financing activities</b>		<b>5,364,748</b>	<b>5,504,892</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,335,276)</b>	<b>4,714,313</b>
Cash and cash equivalents - beginning balance		4,725,262	10,949
<b>Cash and cash equivalents - ending balance</b>		<b>\$ 389,986</b>	<b>\$ 4,725,262</b>

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

## BLACKWOLF COPPER AND GOLD LTD

### Consolidated Statements of Changes in Equity (Deficiency)

(Unaudited - Expressed in Canadian Dollars except for share information)

	Share capital		Equity settled share-based payments reserve	Accumulated deficit	Accumulated other comprehensive income/(loss)	Total equity (deficiency)
	Number of common shares	Amount				
Balance at November 1, 2019 (Restated Note 2)	7,331,870	\$ 66,884,772	\$ 5,391,388	\$ (77,233,209)	\$ 3,620	\$ (4,953,429)
Shares issued pursuant to debt settlement agreement	7,007,977	3,416,390	-	-	-	3,416,390
Share issuance costs		(17,338)	-	-	-	(17,338)
Shares returned to treasury	(600,000)	(420,000)	-	-	-	(420,000)
Shares issued pursuant for Sino Canada settlement	1,200,000	840,000	-	-	-	840,000
Share issuance costs	-	(19,910)	-	-	-	(19,910)
Shares issued pursuant to private placement	7,275,000	5,820,000	-	-	-	5,820,000
Share issuance costs	-	(414,868)	137,008	-	-	(277,860)
Share based compensation	-	-	234,572	-	-	234,572
Net loss	-	-	-	(1,539,159)	-	(1,539,159)
Other comprehensive loss	-	-	-	-	(3,620)	(3,620)
<b>Balance at October 31, 2020</b>	<b>22,214,847</b>	<b>\$ 76,089,046</b>	<b>\$ 5,762,968</b>	<b>\$ (78,772,368)</b>	<b>\$ -</b>	<b>\$ 3,079,646</b>
Balance at November 1, 2020	22,214,847	\$ 76,089,046	\$ 5,762,968	\$ (78,772,368)	\$ -	\$ 3,079,646
Shares issued pursuant to private placement	6,747,500	\$ 5,398,000	-	-	-	5,398,000
Share issuance costs		(174,877)	39,857	-	-	(135,020)
Warrants exercised	99,187	132,910	(43,642)	-	-	89,268
Stock options exercised	12,500	20,022	(7,522)	-	-	12,500
Share based compensation	-	-	588,012	-	-	588,012
Net loss	-	-	-	(9,124,201)	-	(9,124,201)
Other comprehensive income	-	-	-	-	11,492	11,492
<b>Balance at October 31, 2021</b>	<b>29,074,034</b>	<b>\$ 81,465,101</b>	<b>\$ 6,339,673</b>	<b>\$ (87,896,569)</b>	<b>\$ 11,492</b>	<b>\$ (80,303)</b>

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

**Blackwolf Copper and Gold Ltd.**  
**Notes to the Consolidated Financial Statements**  
For the years ended October 31, 2021 and 2020  
(Expressed in Canadian dollars, unless stated otherwise)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Blackwolf Copper and Gold Ltd. (the "Company" or "Blackwolf") was incorporated under the laws of the Province of Alberta, Canada on November 6, 2007 and continued under the laws of the Province of British Columbia, Canada on November 16, 2009. On April 20, 2021, the Company changed its name from Heatherdale Resources Ltd to Blackwolf Copper and Gold Ltd. The Company's corporate office is located at Suite 1800 – 555 Burrard Street, Vancouver, British Columbia. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "BWCG".

The Company's principal mineral property interests are its 100% owned Niblack copper-gold-zinc-silver project in southeast Alaska (the "Niblack Project") and claims staked near Hyder, Alaska (the "Hyder Properties"). The Company is in the process of exploring its properties and has yet to determine if the properties contain economically recoverable mineral reserves. The Company's continuing operations and the underlying value of the properties are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the properties, obtaining the necessary permits to mine, future profitable production from any mine, and proceeds from the disposition of a property. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

As of October 31, 2021, the Company has no source of operating revenue and has accumulated significant losses since inception. The Company is continually seeking opportunities for additional funding and expects to raise funds from equity-based sources on terms which are acceptable to it to carry out planned operations for 2022. However, there can be no assurance that the Company will obtain such financial resources or achieve positive cash flows in the future.

These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of Compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"s), effective for the Company's reporting for the year ended October 31, 2021.

The Board of Directors of the Company authorized these consolidated financial statements for issuance on February 25, 2022.

**(b) Basis of Preparation**

These consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with the exception to the change to accounting policies noted below. Certain figures in the prior year have been reclassified to conform to current year presentation.



**Blackwolf Copper and Gold Ltd.**  
**Notes to the Consolidated Financial Statements**  
For the years ended October 31, 2021 and 2020  
(Expressed in Canadian dollars, unless stated otherwise)

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**(c) Changes in Accounting Standards**

**Change in Presentation Currency**

An entity's functional currency is the currency of the primary economic environment in which it operates. Effective November 1, 2020, the functional currency of the Canadian parent company and its Canadian subsidiary has changed to CAD from USD as a result of the recent change in the underlying transactions, events and conditions. The functional currency of the Company's two US subsidiaries has remained unchanged and is USD. The new functional currency has been applied prospectively from November 1, 2020, in accordance with IAS 21.

To give effect of the change in functional currency, the assets, liabilities and equity of the Canadian entities on October 31, 2020 were converted into CAD dollars on November 1, 2020 at a fixed exchange rate of USD1.00 to CAD1.3318.

Also, effective November 1, 2020, the presentation currency was changed from USD to CAD. Prior period comparative numbers for the Company in these consolidated financial statements have been restated to CAD dollars to provide a meaningful comparable information.

In order, to derive comparatives for the Company and its subsidiaries, in the presentation currency of CAD:

- The USD functional currency assets and liabilities were converted into CAD at period end rates. For 2020 and 2019 these rates were USD1.00 to CAD1.3318 and USD1.00 to CAD 1.3160, respectively;
- Expenses and other income/expenses were converted at the average exchange rate for the reporting. For 2020 and 2019 these rates were USD1.00 to CAD1.3460 and USD1.00 to CAD1.3286, respectively; and
- Items directly recognized in equity were translated using the historical rate at the time of the transaction.

The impact of the changes in presentation currency on the consolidated financial statements is as follows:

**Consolidated Statement of Financial Position - As at November 1, 2019**

	<b>Reported in USD</b>	<b>Reported in CDN</b>
<b>Assets</b>		
Current	\$ 47,490	\$ 62,497
Non-current	766,389	1,008,568
<b>Total assets</b>	<b>\$ 813,879</b>	<b>\$ 1,071,065</b>
<b>Liabilities</b>		
Current	\$ 3,309,572	\$ 4,355,395
Non-current	1,268,312	1,669,099
<b>Total liabilities</b>	<b>4,577,884</b>	<b>6,024,494</b>
<b>Deficit</b>		
Share capital	50,189,012	66,884,772
Reserves	4,044,829	5,391,388
Accumulated deficit	(57,997,846)	(77,233,209)
Accumulated other comprehensive income	-	3,620
<b>Total deficit</b>	<b>(3,764,005)</b>	<b>(4,953,429)</b>
<b>Total liabilities and deficit</b>	<b>\$ 813,879</b>	<b>\$ 1,071,065</b>

**Blackwolf Copper and Gold Ltd.**  
**Notes to the Consolidated Financial Statements**  
For the years ended October 31, 2021 and 2020  
(Expressed in Canadian dollars, unless stated otherwise)

**Consolidated Statement of Financial Position - As at October 31, 2020**

	Reported in USD	Reported in CDN
<b>Assets</b>		
Current	\$ 3,614,717	\$ 4,814,080
Non-current	786,470	1,047,421
<b>Total assets</b>	<b>\$ 4,401,187</b>	<b>\$ 5,861,501</b>
<b>Liabilities</b>		
Current	\$ 820,480	\$ 1,092,717
Non-current	1,268,312	1,689,138
<b>Total liabilities</b>	<b>2,088,792</b>	<b>2,781,855</b>
<b>Equity</b>		
Share capital	57,132,487	76,089,046
Reserves	4,327,202)	5,762,968
Accumulated deficit	(59,147,294)	(78,772,368)
<b>Total equity</b>	<b>2,312,395</b>	<b>3,079,646</b>
<b>Total liabilities and equity</b>	<b>\$ 4,401,187</b>	<b>\$ 5,861,501</b>

**Consolidated Statement of Net Loss and Other Comprehensive Loss**  
**For the year ended October 31, 2020**

	Reported in USD	Reported in CDN
Exploration and evaluation expenditures	\$ 465,837	\$ 627,017
General and administrative expenditures	857,248	1,149,745
	1,323,085	1,776,762
Other expense/(income)	(173,637)	(237,603)
<b>Net loss</b>	<b>1,149,448</b>	<b>1,539,159</b>
Foreign currency translation	-	3,620
<b>Comprehensive loss for the year</b>	<b>\$ 1,149,448</b>	<b>\$ 1,542,779</b>

**Consolidated Statement of Cash Flow**  
**For the Year Ended October 31, 2020**

	Reported in USD	Reported in CDN
Cash flows used for operating activities	\$ (612,610)	\$ (757,847)
Cash flows used for investing activities	(24,318)	(32,732)
Cash flows from financing activities	4,221,713	5,504,892
Increase in cash and cash equivalents	3,584,785	4,714,313
Effect of exchange rate fluctuations on cash held	(45,078)	-
Cash and cash equivalents – beginning of period	8,320	10,949
<b>Cash and cash equivalents</b>	<b>\$ 3,548,027</b>	<b>\$ 4,725,262</b>

**Blackwolf Copper and Gold Ltd.**  
**Notes to the Consolidated Financial Statements**  
For the years ended October 31, 2021 and 2020  
(Expressed in Canadian dollars, unless stated otherwise)

**(d) Basis of Consolidation**

These consolidated financial statements incorporate the accounts of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in full on consolidation.

At October 31, 2021 and 2020, the Company retained an ownership interest in the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Principal Activity	Ownership Interest
Heatherdale Holdings Ltd.	British Columbia, Canada	Holds interest in Niblack Holdings (US) Inc.	100%
Niblack Holdings (US) Inc.	Nevada, USA	Holds interest in Niblack Project LLC	100% (indirect)
Niblack Project LLC	Delaware, USA	Exploration of Niblack Project and has title to the Niblack claims	100% (indirect)
BWCG Holdings (US) Inc <sup>(1)</sup>	Alaska, USA	Holds interest in BWCG (Alaska) LLC	100% (indirect)
BWCG (Alaska) LLC <sup>(1)</sup>	Alaska, USA	Exploration of Hyder Properties and has title to the claims comprising the Hyder Properties	100% (indirect)

Note 1: These entities were incorporated May 18, 2021

**(e) Foreign Currency Translation**

i. Functional and Presentation Currency

Items included in the financial statements of each entity in the Blackwolf group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Primary and secondary indicators are used to determine the functional currency. Primary indicators include the currency that mainly influences sales prices, labour, material and other costs. Secondary indicators include the currency in which funds from financing activities are generated and in which receipts from operating activities are usually retained. Effective November 1, 2020, the functional currency of the Canadian parent company and its Canadian subsidiary has changed to CAD from USD. The functional currency of the Company’s US subsidiaries has remained unchanged and is USD.

The financial statements of entities that have a functional currency different from the presentation currency of Blackwolf (“foreign operations”) are translated into CAD as follows: assets and liabilities-at the closing rate at the date of the statement of financial position, and income and expenses-at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative foreign currency translation adjustments.

**Blackwolf Copper and Gold Ltd.**  
**Notes to the Consolidated Financial Statements**  
For the years ended October 31, 2021 and 2020  
(Expressed in Canadian dollars, unless stated otherwise)

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When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in the statement of income or loss as translational foreign exchange gains or losses.

ii. Transactions and Balances

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items are carried at fair value that are denominated in foreign currencies are translated at the rates prevailing when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Gains and losses arising on translation are included in profit or loss for the year.

**(f) Financial Instruments**

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income ("FVTOCI") (debt / equity investment); or fair value through profit or loss ("FVTPL"). A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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.

***Classification of financial assets***

**Amortized cost**

For a financial asset to be measured at amortized cost, it needs to meet both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets at amortized cost comprise of restricted cash, amounts receivable, and cash and cash equivalents.

**Fair value through other comprehensive income ("FVTOCI")**

For a debt investment is measured at FVTOCI, it needs to meet both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Blackwolf Copper and Gold Ltd.**  
**Notes to the Consolidated Financial Statements**  
For the years ended October 31, 2021 and 2020  
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**Equity instruments at FVTOCI**

On initial recognition, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI") provided it is not held for trading. This election is made on an investment-by-investment basis.

**Fair Value through profit or loss ("FVTPL")**

All financial assets not classified as measured at amortised cost or FVTOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see below). Interest income, foreign exchange gains, losses, and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
<b>Debt investments at FVTOCI</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at FVTOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

***Impairment of financial assets***

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

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- probability that the borrower will enter bankruptcy or financial reorganization.

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***Financial Liabilities***

**Non-derivative financial liabilities**

The Company's non-derivative financial liabilities comprise of trade and other payables and payables to related parties.

All financial liabilities that are not held for trading or designated as at FVTPL are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

**Financial liabilities at FVTPL**

A financial liability other than a financial liability held for trading may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated at FVTPL.

A financial liability at FVTPL is stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss. The transaction cost is expensed as incurred. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

**(g) *Significant Accounting Estimates and Judgments***

***Accounting Estimates***

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. The most significant estimates in applying the Company consolidated financial statements include:

- 1) Determining the fair value of stock options or warrants using the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the expected volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

***Significant judgements***

The preparation of these consolidated financial statements requires management to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's consolidated financial statements include:

- 1) Assessing whether there are any indicators of impairment. The Company regularly assesses whether there are facts and circumstances suggesting that the carrying amount of its exploration and evaluation assets ("E&E assets"), including site equipment, may exceed their recoverable amount. Determining whether to test for impairment requires the Company to use judgment regarding various industry-specific and other general indicators, including but not limited to, changes in the market, economic and legal environment in which the Company operates.

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- 2) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.
- 3) The determination of the functional currencies of the Company and its subsidiaries requires discretion and judgment when, in the context of the Company's uncomplicated business activities, the relevant fact patterns involved can nonetheless support alternative conclusions.

**(h) Exploration and Evaluation Expenditures**

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed as incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Acquisition costs, including general and administrative costs, are only capitalized to the extent that these costs can be related directly to operational activities in the relevant area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

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

**(i) Property, Plant and Equipment**

Property, plant and equipment ("PPE") are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using the declining balance method at various rates ranging from 10% - 30% per annum.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Residual values and estimated useful lives are reviewed at least annually.

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**(j) Impairment of Non-Financial Assets**

At the end of each reporting period, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. A cash-generating unit is determined as the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount 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.

**(k) Share Capital and Warrants**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

When the Company issues units under a private placement comprising common shares and warrants are measured using the residual method. This method allocates value first to the more easily measurable component based on fair value and the residual to the less easily measurable component. The Company considers the fair value of its shares to be more easily measurable component and they are valued with reference to the market price. The residual value attributed to the warrants, if any, is recorded as a separate component of equity.

Warrants that are issued as payment for an agency fees or other transactions costs are accounted for as share-based payment.

The fair value of warrants exercised is reclassified to share capital.



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**(l) Income or Loss per Share**

Basic and diluted income or loss per share data is calculated by dividing the income or loss attributable to common shareholders by the weighted average number of common shares outstanding and common shares to be issued during the period. Diluted income or loss per share is determined by adjusting the income loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, such as share purchase options granted to employees and share purchase warrants outstanding. The dilutive effect of options or warrants assumes that the proceeds to be received on the exercise of these instruments are applied to repurchase common shares at the average market price for the reporting period. Share purchase options and warrants are included in the calculation of dilutive earnings per share only to the extent that the market price of the common shares exceeds the exercise price of the share purchase options and warrants.

**(m) Share-based Payment Transactions**

The share incentive plan allows Company employees and consultants to acquire common shares in Blackwolf. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in the equity settled share-based payments reserve in equity. An individual is classified as an employee when the individual is an employee for legal, tax purposes (direct employee), or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option-pricing model taking into account the terms and conditions upon which the share purchase options were granted. At the end of each financial reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

**(n) Income Taxes**

Any income tax on profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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The following temporary differences are not provided for:

- goodwill not deductible for tax purposes;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**(o) Restoration, Rehabilitation and Environmental Costs**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. The cost of any rehabilitation program is recognized at the time that the environmental disturbance occurs. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for, and capitalized at the start of each project to the carrying amount of the asset along with a corresponding liability, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect risks specific to the asset are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is adjusted each period for the unwinding of the discount rate, changes to the current market-based discount rate, and for the amount or timing of the underlying cash flows needed to settle the obligation.

**(p) Segmental Reporting**

The Company operates in one reportable operating segment, being the acquisition, exploration and development of exploration and evaluation properties in the United States. All non-current assets are held in the United States.

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**3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

**(a) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in business and savings accounts held at major financial institutions, which are available on demand, by the Company.

**(b) Restricted Cash**

	<b>October 31 2021</b>	October 31 2020
Comprises of:		
Cash collateral	\$ 873,023	\$ 938,865
Income earned and re-invested	34,127	36,701
Total <sup>1</sup>	907,150	975,566
Cash deposit <sup>2</sup>	4,829	5,194
	<b>\$ 911,979</b>	<b>\$ 980,760</b>

The total comprises of the following:

1. The cash collateral is held with a United States ("US") financial institution, which has been pledged to the surety provider of the surety bond accepted by the Alaskan regulatory authorities. It will be released once reclamation work has been performed and assessed by the Alaskan regulatory authorities. Total income of \$34,127 (2020 – \$36,701) has been recognized, which has been re-invested.
2. The cash deposit is held with the Alaskan regulatory authorities as a performance guarantee for additional reclamation work to be performed by the Company.

**4. AMOUNTS RECEIVABLE AND OTHER PREPAID EXPENSES**

	<b>October 31 2021</b>	October 31 2021
Sales tax receivable	\$ 44,630	\$ 34,792
Prepaid expenses	124,678	54,026
Deposits	318,626	–
Other receivables	29,291	–
	<b>\$ 517,225</b>	<b>\$ 88,818</b>

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**5. EQUIPMENT**

	Office equipment	Field equipment	Total
<b>Cost</b>			
Balance, October 31, 2019	\$ -	\$ 336,325	\$ 336,325
Acquisitions during the year	2,253	33,674	35,927
Translation adjustment	-	3,658	3,658
<b>Balance, October 31, 2020</b>	<b>2,253</b>	<b>373,657</b>	<b>375,910</b>
Acquisitions for the period	37,106	585,238	622,344
Translation adjustment	-	(29,382)	(29,382)
<b>Balance, October 30, 2021</b>	<b>\$ 39,359</b>	<b>\$ 929,513</b>	<b>\$ 968,872</b>
<b>Accumulated depreciation</b>			
Balance, October 31, 2019	\$ -	\$ 292,406	\$ 292,406
Depreciation for the year	-	13,475	13,475
Translation adjustment	-	3,369	3,369
<b>Balance, October 31, 2020</b>	<b>-</b>	<b>309,250</b>	<b>309,250</b>
Depreciation for the period	11,799	80,826	92,625
Translation adjustment	-	(22,940)	(22,940)
<b>Balance, October 31, 2021</b>	<b>\$ 11,799</b>	<b>\$ 367,136</b>	<b>\$ 378,935</b>
<b>Carrying amounts</b>			
As at October 31, 2020	\$ 2,253	\$ 64,407	\$ 66,660
<b>As at October 31, 2021</b>	<b>\$ 27,560</b>	<b>\$ 562,377</b>	<b>\$ 589,937</b>

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**6. EXPLORATION AND EVALUATION OF ASSETS**

As of October 31, 2021, the Company owns a 100% interest in the Niblack Project located in Southeast Alaska, which has a nominal value of \$1.00.

During the year ended October 31, 2021, the Company acquired through staking, 474 claims covering 3,863 hectares consisting of the Texas Creek, Cantoo and Casey properties (Hyder Properties), located in Southeast Alaska.

Details of the exploration and evaluation expenses have been incurred as follows

<b>For the year ended October 31, 2021</b>	<b>Niblack Project</b>	<b>Hyder Properties</b>	<b>Total</b>
Claims maintenance	\$ 70,412	\$ 245,515	\$315,927
Project and support contract services	2,445,205	129,674	2,574,879
Camp and site support	639,273	46,429	685,702
Depreciation	80,826	–	80,826
Fuel	109,369	651	110,020
Underground support supplies	435,638	–	435,638
Drilling	1,157,416	–	1,157,416
Geology	184,688	9,638	194,326
Transport	422,909	175,706	598,615
Field travel	250,030	20,242	270,272
Metallurgy	36,330	–	36,330
Environmental and permitting	175,222	–	175,222
Baseline	17,453	–	17,453
<b>Total</b>	<b>\$6,024,771</b>	<b>\$ 627,855</b>	<b>\$ 6,652,626</b>

<b>For the year ended October 31, 2020</b>	<b>Niblack Project</b>	<b>Total</b>
Claims maintenance	\$ 73,030	\$ 73,030
Project and support contract services	209,146	209,146
Camp and site support	135,704	135,704
Depreciation	13,475	13,475
Fuel	56,587	56,587
Geology	25,198	25,198
Transport	61,890	61,890
Field travel	26,491	26,491
Environmental and permitting	15,322	15,322
Baseline	10,174	10,174
<b>Total</b>	<b>\$627,017</b>	<b>\$ 627,017</b>

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1. The Niblack Project, 100% owned by the Company, consists of the 6,200-acre Niblack property, located on Prince of Wales Island, some 27 miles from Ketchikan, Alaska and includes certain site plant and equipment assets.

The Company will be required to make a one-time payment of Cdn\$1,250,000 to an arm's length third party upon the earliest to occur of the commencement of commercial production, the Company holding less than 35% interest in the Niblack Project, or a change in control of Blackwolf in certain circumstances.

The Company records all costs associated with the exploration and evaluation of mineral resources as expenses in profit or loss (Note 2(h)).

## **7. RELATED PARTY BALANCES AND TRANSACTIONS**

### **(a) Related Party Transactions**

During the year ended October 31, 2021, the Company paid or accrued \$157,556 (2020 - \$60,905) for office space to a private company controlled by a common director.

#### ***Debt Assignment and Settlement***

In June 2020, the Company completed a debt assignment and settlement with certain arm's length's parties (the "Purchasers") pursuant to the terms of a debt assignment and settlement agreement dated June 3, 2020, among the Company, HDSI and the Purchasers (the "Transaction").

Pursuant to the Transaction, \$4,025,367 owing to HDSI was assigned to the Purchasers and the Company issued 7,007,977 common shares to the Purchasers in settlement of \$3,416,390 of outstanding debt. The residual \$608,977 was forgiven by the Purchasers, resulting in a gain on settlement of the debt and was included in comprehensive loss for the period.

### **(b) Key Management Compensation**

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President & Chief Executive Officer, Chief Financial Officer, and appointed officers of the Company and Directors. For the year ended October 31, 2021, total key management compensation was \$1,321,276 (2020 - \$574,547) which includes management fees and salaries of \$859,417 (2020 - \$393,475) and share based compensation of \$461,859 (2020- \$181,072).

## **8. CONVERTIBLE DEBENTURE**

On December 31, 2016, the Company exercised its option to redeem a \$3,000,000 convertible debenture, which had matured (the "Debenture"), and pursuant to the terms of the debenture issued 600,000 common shares at the conversion price of \$5.00 per Heatherdale Share. The Debenture was subscribed for and held by Sino-Canada Natural Resources Fund I ("Sino-Canada Fund").

On June 11, 2020, the Company completed a settlement agreement ("Settlement Agreement") with Sino-Canada Fund resolving outstanding issues with respect to the Debenture. Pursuant to the Settlement Agreement, the Company issued 1,200,000 common shares and cancelled the prior issuance of 600,000 common shares of the Company to Sino-Canada Fund. The Company recognized a loss on settlement of \$420,000.

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**9. PROVISION FOR REHABILITATION OBLIGATION**

	<b>October 31 2021</b>	October 31 2020
Beginning balance	\$ 1,689,138	\$ 1,669,099
Translation adjustment	(118,460)	20,039
End balance	<b>\$ 1,570,678</b>	<b>\$ 1,689,138</b>

The Company's provision in the amount of USD\$1,268 312 is based on the 2017 Niblack Reclamation and Closure Plan that was approved by the Alaska Department of Natural Resources (the "ADNR") in May 2018 for the restoration and rehabilitation of the Niblack Project site, including the underground workings. The settlement of the obligation is to occur upon closure of the mine site.

The Company has given the ADNR a cash deposit of US\$3,900 as a performance guarantee for additional reclamation work to be performed and has a surety bond from an insurance company in favour of the ADNR for the remainder of the obligation. Pursuant to the terms of the surety bond, the Company has provided to the surety provider cash collateral of US\$704,960, which has been classified as restricted cash and which as of October 31, 2021, increased by US\$27,575 as a result of income earned thereon. The Company will be required to fund the difference between the bond amount claimed and the total cash collateral amount in the account (Note 3(b)).

**10. SHARE CAPITAL AND RESERVES**

**(a) Authorized Share Capital**

At October 31, 2021 the authorized share capital consisted of an unlimited (2020 – unlimited) number of common shares without par value and an unlimited (2020 – unlimited) number of preferred shares with no par value. At October 31, 2021 and 2020, only common shares were issued and outstanding. All issued shares are fully paid.

**(b) Share Issuances**

***For the year ended October 31, 2021***

In April 2021, the Company issued 6,747,500 common shares by private placement at a price of \$0.80 per common share, for aggregate gross proceeds of \$5,398,000. The Company paid finder's fees of \$107,280 and issued 134,100 share purchase warrants. Each share purchase warrant is exercisable to acquire one common in the capital of the Company at an exercise price of \$0.90 per common share until April 15, 2022. The share purchase warrants have been recorded at a fair value of \$39,857. The fair value of the share purchase warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.33%, expected life of 1.0 years, expected volatility rate of 75.00% and a dividend rate of 0.00%. The Company paid or accrued \$27,740 in fees related to the share issuance.

During the year ended October 31, 2021, the Company issued 12,500 common shares pursuant to the exercise of stock options for proceeds of \$12,500 and 99,187 common shares pursuant to the exercise of warrants for proceeds of \$89,268.

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***For the year ended October 31, 2020***

In June 2020, the Company completed the debt settlement with Sino-Canada Natural Resources Fund I ("Sino-Canada Fund") and issued 1,200,000 common shares of the Company to Sino-Canada Fund at a fair value of \$0.70 in settlement of the \$3,000,000 debt owing to Sino-Canada Fund (Note 8). In connection with the debt settlement, the Company cancelled a prior void issuance of 600,000 common shares of the Company to Sino-Canada Fund. The Company paid or accrued \$19,910 in fees related to the share issuance.

In June 2020, the Company issued 7,007,977 common shares of the Company at \$0.4875 per share pursuant to debt assignment and settlement agreement for the settlement of debt of \$3,416,390 (Note 7(a)). The Company paid or accrued \$17,338 in fees related to the share issuance.

On August 31, 2020, the Company issued 7,275,000 common shares by private placement at a price of \$0.80 per common share, for aggregate gross proceeds of \$5,820,000. The Company paid finder's fees of \$277,860 and issued 310,575 share purchase warrants (the "Finder's Warrants"). Each Finder Warrant is exercisable to acquire one common in the capital of the Company at an exercise price of \$0.90 per common share until August 31, 2021. The finder's warrants have been recorded at a fair value of \$137,008. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.33%, expected life of 1.0 years, expected volatility rate of 75.00% and a dividend rate of 0.00%.

**(c) *Omnibus Share Incentive Plan***

In November 2021, the Company's shareholders approved a omnibus share incentive plan (the "Share Incentive Plan"), providing for the grant of stock options, restricted share units, performance share unit and deferred share units (together the "Awards"). The Share Incentive replaces the Company's stock option plan (the "Stock Option Plan") and deferred share unit plan (the "DSU Plan") and any outstanding options granted thereunder remain in effect in accordance with the terms and conditions of the Share Incentive Plan. There were no outstanding awards under the DSU Plan.

The Share Incentive Plan provides that the Board of Directors of the Company may from time to time, in their discretion, and in accordance with TSX-V requirements, grant to its directors, officers, employees and consultants to the Company, non-transferable Awards to purchase common shares, provided that the number of common shares reserved for issue does not exceed 10% of the number of then outstanding common shares.

A summary of stock option transactions are summarized as follows:

	Number of options outstanding	Weighted average exercise price
Balance November 1, 2019	-	-
Granted	1,760,000	\$0.98
<b>Balance October 31, 2020</b>	<b>1,760,000</b>	<b>\$0.98</b>
Granted	320,000	\$1.02
Exercised	(12,500)	\$1.00
Cancelled	(122,500)	\$0.99
Forfeited/Expired	(157,500)	\$0.98
<b>Balance October 31, 2021</b>	<b>1,787,500</b>	<b>\$0.99</b>



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As of October 31, 2021, the following stocks options were outstanding:

Expiry Date	Number of options outstanding	Number of options exercisable	Weighted average exercise price
June 16, 2025	100,000	62,500	\$0.80
June 30, 2025	30,000	22,500	\$0.85
September 9, 2025	1,357,500	697,500	\$1.00
April 20, 2026	260,000	65,000	\$1.00
May 12, 2026	20,000	5,000	\$1.24
August 11, 2026	20,000	-	\$1.00
	<b>1,787,500</b>	<b>852,500</b>	

**(d) Warrants**

A summary of warrant transactions are summarized as follows:

	Number of warrants outstanding	Weighted average exercise price
Balance November 1, 2019	-	-
Granted	310,575	\$0.90
<b>Balance October 31, 2020</b>	<b>310,575</b>	<b>\$0.90</b>
Granted	134,100	\$0.90
Exercised	(99,187)	\$0.90
Expired	(211,388)	\$0.90
<b>Balance October 31, 2021</b>	<b>134,100</b>	<b>\$0.90</b>

As of October 31, 2021, the Company has 134,100 Finder Warrants outstanding with an exercise price of CDN\$0.90 and an expiry date of April 15, 2022.

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**(e) Share Based Compensation Expense**

During the year ended October 31, 2021, a total of 320,000 stock options (2020 – 1,760,000) at a weighted-average exercise price of \$1.02 (2020 – \$0.98) were granted to officers, consultants, and directors exercisable for a period of five years with various vesting terms over a three-year period. The weighted-average fair value attributable to options granted in 2021 was \$0.59 (2020 – \$0.59).

The following weighted-average assumptions were used in the Black-Scholes valuation of stock options granted during the period:

	<b>2021</b>	<b>2020</b>
Risk free interest rate	0.41%	0.33%
Expected life of Option	5 years	5 years
Annualized volatility	75.00%	75.00%
Dividend rate	0.00	0.00
Forfeiture rate	0.00	0.00

The Company recognized a share based compensation expense of \$588,012 for the year ended October 31, 2021 (2020 – \$234,572). As of October 31, 2021, there were 951,250 non-vested options outstanding with a weighted average exercise price of \$1.00. The non-vested stock expense not yet recognized was \$310,631. This expense is expected to be recognized over the next three years.

**11. TAXATION**

**(a) Provision for current tax**

No provision has been made for current income taxes, as the Company has no taxable income.

**(b) Provision for deferred tax**

As future taxable profits of the Company are uncertain, no deferred tax asset has been recognized. As at October 31, 2021, the Company has unused non-capital loss carry forwards of approximately \$26,033,000 (2020 – \$23,606,000) in Canada and approximately US\$42,798,000 (2021 – US\$39,169,000) in the United States.

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The following provides a reconciliation of the Company's effective tax rate:

	<b>Year ended October 31</b>	
	<b>2021</b>	2020
Loss for the period	\$ (9,124,201)	(1,539,138)
Total income tax expense	-	-
Loss excluding income tax	(9,124,201)	(1,539,138)
Income tax (recovery) expense using the Company's domestic tax rate	(2,463,000)	(415,000)
Effect of tax rates in foreign jurisdictions	(89,000)	(11,000)
Non-deductible expenses	108,000	(112,000)
Change in unrecognized temporary differences	2,444,000	538,000
	<b>\$ -</b>	<b>\$ -</b>

The Company's domestic tax rate is 27.00% (2020 – 27.00%) and effective tax rate is Nil (2020 – Nil).

As at October 31, 2021, the Company had the following balances in respect of which no deferred tax asset was recognized:

<b>Expiry</b>	<b>Net operating losses</b>	<b>Resource pools</b>	<b>Financing fees and other</b>
Within one year	\$ -	\$ -	\$ -
One to five years	-	-	300,000
After five years	79,779,000	-	335,000
No expiry date	-	2,267,000	-
		\$	
	<b>\$ 79,779</b>	<b>2,267,000</b>	<b>\$ 635,000</b>

## 12. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

### (a) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit loss for cash and restricted cash by placing its cash and restricted cash with high quality financial institutions. The credit for cash and restricted cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

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**(b) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company tries to ensure, as far as reasonably possible, that it will have sufficient capital in order to meet short-term business requirements, after taking into account from cash flows from operations and the Company's holdings of cash. The Company has working capital deficiency of \$11,541 as at October 31, 2021 and subsequent to the fiscal year raised an additional \$2.8 million. There can be no assurance that the Company will be successful with generating and maintaining profitable operations or will be able to secure future debt or equity financing for its working capital and expansion activities.

**(c) Market Risk**

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

**Foreign Exchange Risk**

Foreign currency risk is the risk that the fair value of , or future cash flows from the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains its cash reserves primarily in Canadian dollars. The portion of Company's funds held in US dollars are subject to fluctuations in foreign exchange rates and as at October 31, 2021, management considers this risk to be immaterial.

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**(d) Equity Management**

The Company's policy is to maintain a strong equity base so as to maintain investor and creditor confidence and to sustain future development of the business. The equity structure of the Company comprises share capital and reserves, net of accumulated deficit. The Company manages its equity structure through the preparation of operating budgets, which are approved by the Board of Directors.

There were no changes in the Company's approach to equity management during the year.

The Company is not subject to any externally imposed equity requirements.

**(e) Fair Value**

The fair value of the Company's financial assets and liabilities approximate their carrying values.

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

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

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Fair value measurements which are determined by using valuation techniques are classified in their entirety as either Level 2 or Level 3 based on the lowest level input that is significant to the measurement.

**13. SUBSEQUENT EVENTS**

- a) In December 2021, the Company issued 4,074,644 units (the "Units") by private placement at a price of \$0.70 per Unit, for aggregate gross proceeds of \$2,852,251. Each Unit consisted of one common share of the Company and one-half of one transferable common share purchase warrant, with each whole warrant entitling the holder to acquire one common share at a price of \$0.85 per common share until June 9, 2023. The Company paid finder's fees of \$54,312 and issued 77,588 finder warrants. Each finder warrant is exercisable to acquire one common in the capital of the Company at an exercise price of \$0.70 per common share until June 9, 2023.
- b) Granted 150,000 options at an exercise price of \$0.70 and a term of 5 years, cancelled 132,500 options at an exercise of \$1.00, 7,500 options at an exercise \$1.24 and 15,000 options at an exercise of \$1.00 were forfeited.