



*(formerly Crown Mining Corp.)*

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2021 & 2020**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of US Copper Corp. (*formerly Crown Mining Corp.*) (the "Company") are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Company maintains systems of internal control that are designed by management to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Stephen Dunn" (signed)  
\_\_\_\_\_  
Chief Executive Officer

"Rich Morrow" (signed)  
\_\_\_\_\_  
Chief Financial Officer

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A CHAN AND COMPANY LLP  
CHARTERED PROFESSIONAL ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of:**  
**US Copper Corp. (formerly Crown Mining Corp.)**

### **Opinion**

We have audited the consolidated financial statements of US Copper Corp. (formerly Crown Mining Corp.) the "Company", which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the years ended December 31, 2021 and 2020, 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 December 31, 2021 and 2020, and its financial performance and its cash flow for the years ended December 31, 2021 and 2020 in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained 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 incurred a net comprehensive loss of \$2,410,928 during the year ended December 31, 2021 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$18,244,319 since its inception, and expects to incur further losses in the development of its business. 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 Management Discussion and Analysis.

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

In connection with our audits 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 audits 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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

The engagement practitioner on the audit resulting in this independent auditor's report is Anthony Chan, CPA, CA.

***"A Chan & Company LLP"***  
Chartered Professional Accountant

Unit# 114B (2nd floor) – 8988 Fraserton Court  
Burnaby, BC, Canada V5J 5H8

April 27, 2022

# US COPPER CORP.

(formerly Crown Mining Corp.)

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	2021	2020
<i>As at December 31,</i>	\$	\$
<b>ASSETS</b>		
Current		
Cash and cash equivalents (Note 5)	2,531,780	1,632,389
Marketable securities (Note 6)	32,000	-
Trade and other receivables (Note 7)	10,284	6,983
Prepaid expenses	83,333	-
	2,657,397	1,639,372
Capital assets (Note 8)	43,916	-
<b>Total assets</b>	<b>2,701,313</b>	<b>1,639,372</b>
<b>LIABILITIES</b>		
Current		
Trade and other payables (Notes 9 and 11)	37,563	6,685
	37,563	6,685
<b>CEBA loan (Note 10)</b>	<b>-</b>	<b>60,000</b>
<b>Total liabilities</b>	<b>37,563</b>	<b>66,685</b>
<b>EQUITY</b>		
Share capital (Note 13 (a))	16,813,483	13,778,292
Reserve for warrants (Note 14)	723,100	452,000
Reserve for share based payments (Note 15)	3,371,486	3,175,786
Accumulated deficit	(18,244,319)	(15,833,391)
<b>Total equity</b>	<b>2,663,750</b>	<b>1,572,687</b>
<b>Total liabilities and equity</b>	<b>2,701,313</b>	<b>1,639,372</b>

*Nature of Operations and Going Concern (Note 1)*  
*Commitments and Contingencies (Notes 11 and 16)*  
*Subsequent Events (Note 13(c))*

Approved on behalf of the Board of Directors on April 27, 2022:

“Stephen Dunn” (signed)

Director

“James Fairbairn” (signed)

Director

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

**US COPPER CORP.***(formerly Crown Mining Corp.)***Consolidated Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars)

	2021	2020
<b>For the years ended December 31,</b>	<b>\$</b>	<b>\$</b>
Professional fees	<b>43,000</b>	20,012
Management and consulting fees (Note 12)	<b>63,166</b>	54,250
Share based payments (Notes 13 (c) and 15)	<b>220,000</b>	223,000
Office, general and administration	<b>127,872</b>	22,732
Investors relations, promotion and travel	<b>489,558</b>	63,737
Exploration and evaluation expenditures (Note 11)	<b>1,487,332</b>	157,803
Forgiveness of CEBA loan (Note 10)	<b>(20,000)</b>	-
<b>Net loss and comprehensive loss</b>	<b>2,410,928</b>	541,534
<b>Loss per share - basic and diluted</b>	<b>0.02</b>	0.01
<b>Weighted average number of common shares - basic and diluted (000's)</b>	<b>104,583</b>	55,126

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

**US COPPER CORP.***(formerly Crown Mining Corp.)***Consolidated Statements of Changes in Equity**

(Expressed in Canadian dollars)

	Share Capital		Reserves			Total
	Number of shares	Amount	Warrants	Share based payments	Accumulated deficit	
Balance at December 31, 2019	44,429,627	\$ 12,229,404	\$ 333,000	\$ 2,683,786	\$ (15,291,857)	\$ (45,667)
Private placements, net of issue costs	43,100,000	1,936,888	-	-	-	1,936,888
Warrants issued on private placement to subscribers	-	(378,000)	378,000	-	-	-
Warrants issued on private placement to finders	-	(10,000)	10,000	-	-	-
Share based payments	-	-	-	223,000	-	223,000
Reserve transferred on expiry of warrants	-	-	(269,000)	269,000	-	-
Net loss for the year	-	-	-	-	(541,534)	(541,534)
<b>Balance at December 31, 2020</b>	<b>87,529,627</b>	<b>\$ 13,778,292</b>	<b>\$ 452,000</b>	<b>\$ 3,175,786</b>	<b>\$ (15,833,391)</b>	<b>\$ 1,572,687</b>
Private placements, net of issue costs	15,000,000	2,454,991	-	-	-	2,454,991
Warrants issued on private placement to subscribers	-	(366,000)	366,000	-	-	-
Shares issued on stock options exercised	1,325,000	200,300	-	(53,300)	-	147,000
Shares issued on warrants exercised	8,300,000	745,900	(65,900)	-	-	680,000
Share based payments	-	-	-	220,000	-	220,000
Reserve transferred on expiry of warrants	-	-	(29,000)	29,000	-	-
Net loss for the year	-	-	-	-	(2,410,928)	(2,410,928)
<b>Balance at December 31, 2021</b>	<b>112,154,627</b>	<b>\$ 16,813,483</b>	<b>\$ 723,100</b>	<b>\$ 3,371,486</b>	<b>\$ (18,244,319)</b>	<b>\$ 2,663,750</b>

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

# US COPPER CORP.

(formerly Crown Mining Corp.)

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	2021	2020
For the years ended December 31,	\$	\$
<b>Operating activities</b>		
Net loss for the year	(2,410,928)	(541,534)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share based payments	220,000	223,000
Marketable securities received for sale of exploration and evaluation expenditures	(32,000)	-
Forgiveness of CEBA loan	(20,000)	-
Change in non-cash working capital		
Trade and other receivables	(3,301)	(2,955)
Prepaid expenses	(83,333)	750
Trade and other payables	30,878	(46,183)
Cash and cash equivalents used in operating activities	(2,298,684)	(366,922)
<b>Investing activities</b>		
Purchases of capital assets	(43,916)	-
Cash and cash equivalents used in investing activities	(43,916)	-
<b>Financing activities</b>		
Issuance of share capital, net of costs	2,454,991	1,936,888
Proceeds on stock options exercised	147,000	-
Proceeds on warrants exercised	680,000	-
Proceeds from (repayments of) CEBA loan	(40,000)	60,000
Cash and cash equivalents provided from financing activities	3,241,991	1,996,888
<b>Increase in cash and cash equivalents</b>	<b>899,391</b>	<b>1,629,966</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,632,389</b>	<b>2,423</b>
<b>Cash and cash equivalents, end of year</b>	<b>2,531,780</b>	<b>1,632,389</b>
<b>Supplementary Information</b>		
Interest paid	-	-
Income tax paid	-	-
Finders warrants issued	-	10,000

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



**US COPPER CORP.**  
*(formerly Crown Mining Corp.)*  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

US Copper Corp. (*formerly Crown Mining Corp.*) (“US Copper” or the “Company”) is a public company amalgamated under the laws of Canada on August 30, 2010. The Company’s head office is located at 330 Zeller Dr., Kitchener, ON, N2A 0B5. The Company is an exploration stage company and currently has interests in exploration properties in Ontario, Canada and, through wholly owned subsidiaries, has interests in exploration properties in Nevada and California, USA. Substantially all of the Company’s efforts are devoted to financing, exploring and evaluating these properties. There has been no determination whether the Company’s interests in mineral properties contain mineral reserves which are economically recoverable.

On March 29, 2021, at the Company’s annual general and special meeting, the shareholders approved the name change to US Copper Corp., which was completed effective April 5, 2021. In addition, effective April 8, 2021, the Company began trading under the name US Copper with a new ticker symbol “USCU”.

As at December 31, 2021, the Company had working capital of \$2,619,834 (2020 – \$1,632,687), had not yet achieved profitable operations, had accumulated deficit of \$18,244,319 (2020 – \$15,833,391) and expects to incur further losses in the development of its business. These conditions indicate the existence of a material uncertainty that cast significant doubt as to whether the Company can continue as a going concern.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis, all of which are uncertain. Failure to achieve the above could have a significant impact on the Company’s ability to continue as a going concern.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and evaluation activities, and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, non-compliance with regulatory requirements or aboriginal land claims.

On March 11, 2020, the World Health Organization declared a global pandemic outbreak of a novel coronavirus identified as “COVID-19”. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

**US COPPER CORP.**  
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**Notes to the Consolidated Financial Statements**  
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(Expressed in Canadian dollars)

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## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance and presentation**

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

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on April 27, 2022.

### **2.2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The Company’s reporting and functional currency is the Canadian dollar.

### **2.3 Future accounting policies and standards adopted**

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2021 and, accordingly, have not been applied in preparing these consolidated financial statements. The Company has assessed the impact of the application of these standards or amendments on the consolidated financial statements of the Company and does not expect them to have a material impact on the consolidated financial statements of the Company once adopted.

IAS 1 was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – ie. a full-cost approach. Such costs include both the incremental costs of the contract (ie. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – ie. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations (“IFRS 3”) was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

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**2. BASIS OF PREPARATION (continued)**

**2.3 Future accounting policies and standards adopted (continued)**

IAS 16 – Property, Plant and Equipment (“IAS 16”) was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

**2.4 Use of management estimates, judgments and measurement uncertainty**

The preparation of these consolidated financial statements using accounting policies consistent with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to valuation of deferred income tax amounts and the calculation of share-based payments and warrants.

Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

***Going concern assumption***

Going concern presentation of the consolidated financial statements assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

***Income taxes***

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

***Valuation of share based payments and warrants***

The Black-Scholes option pricing model is used to determine the fair value for share based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

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**2. BASIS OF PREPARATION (continued)**

**2.4 Use of management estimates, judgments and measurement uncertainty (continued)**

***Decommissioning provisions***

These are made based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions on a quarterly basis. Actual rehabilitation costs will ultimately depend on actual future settlement amount for the rehabilitation costs which will reflect the market condition at the time that the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

***Functional currency***

The Company's management is required to make judgments as to the currency of the primary economic environment in which an entity operates to determine the functional currency of the entity. The Company has determined that the functional currency of the parent company and its Canadian and US subsidiaries is the Canadian dollar.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries Rykala Resources Inc., and Rykala Gold of Nevada Inc. (collectively the "Group"). Control is achieved when the Company has exposure to, or has rights to, variable returns from an investee as well as the ability to affect those returns through the power to direct their relevant activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of control or up to the effective date of loss of control, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

**3.2 Mineral properties**

All acquisition and exploration costs, net of incidental revenues, except for those acquired through a business combination are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into "mines under construction". On the commencement of commercial production, all assets included in "mines under construction" are transferred to "producing mines" and depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

All exploration and evaluation expenditures acquired through a business combination are capitalized as intangible assets. They are subsequently measured at cost less accumulated impairment.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Decommissioning, restoration and similar liabilities**

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no significant decommissioning liability as at December 31, 2021 or 2020.

**3.4 Capital Assets**

Capital assets are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of capital assets 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.

Amortization is provided at rates calculated to write off the cost of capital assets, less their estimated residual value, using the declining balance method at the following rates:

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Vehicles	20%
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An item of capital assets is derecognized upon disposal, when held for sale 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 the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for capital assets and any changes arising from the assessment are applied by the Company prospectively.

Where an item of capital assets comprises major components with different useful lives, the components are accounted for as separate items of capital assets. Expenditures incurred to replace a component of an item of capital assets that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

**3.5 Share based payment transactions**

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Share based payment transactions involving non-employees are measured at the estimated fair value of the goods or services received. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the estimated fair value of the share-based payment.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.5 Share based payment transactions (continued)**

*Equity-settled transactions*

The costs of equity-settled transactions with employees are measured by reference to the estimated fair value of the equity instruments at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the “vesting date”). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

**3.6 Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

*Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

*Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the date of the consolidated statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.6 Taxation (continued)**

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the consolidated statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the consolidated statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

**3.7 Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Diluted loss per share assumes that the proceeds upon the exercise of the options and warrants are used to repurchase common shares at the average market price during the year. During the years ended December 31, 2021 and 2020, all of the outstanding stock options and warrants were antidilutive.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Financial assets**

Financial assets classified as fair value through profit or loss (“FVTPL”) are measured at fair value with realized and unrealized gains and losses recognized in the consolidated statement of loss. As at December 31, 2021 and 2020 the Company has classified marketable securities as FVTPL.

Financial assets measured at amortized cost include the Company’s cash and cash equivalents, and trade and other receivables are. As at December 31, 2021 and 2020, the carrying amounts for these assets approximate their fair value due to their short-term nature.

Financial assets classified as fair value through other comprehensive income (“FVOCI”) are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. As at December 31, 2021 and 2020, the Company has not classified any financial assets as FVOCI.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**3.9 Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or at amortized cost.

Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period. The Company’s trade and other payables and CEBA loan are recorded at amortized cost. As at December 31, 2021 and 2020, the carrying amounts for trade and other payables and CEBA loan approximate their fair value due to their short-term nature.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statement of loss. As at December 31, 2021 and 2020, the Company has not classified any financial liabilities as FVTPL.

**3.10 Impairment of financial assets**

The Company assesses at each date of the consolidated statement of financial position whether a financial asset is impaired.

***Financial assets carried at amortized cost***

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective interest rate.



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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Impairment of financial assets (continued)**

*Financial assets carried at amortized cost (continued)*

The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

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

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

***FVOCI***

If an FVOCI asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss.

**3.11 Impairment of non-financial assets**

At each date of the consolidated statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less disposal costs and value in use. 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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, 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.

**3.12 Cash and cash equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise of cash at banks and on hand, and short term deposits with a remaining fixed maturity of 90 days or less on the date of acquisition and which are readily convertible into a known amount of cash.

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.13 Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

#### **3.14 Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at fair value.

#### **3.15 Foreign currency transactions**

##### ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent company and its subsidiaries in the Group is the Canadian Dollar. The consolidated financial statements are presented in Canadian dollars which is the Group's presentation currency.

##### ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of loss.

#### **3.16 Flow-through Shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax recovery for the amount of tax reduction renounced to the shareholders, if it has sufficient tax assets to do so.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's reporting year is disclosed separately as flow-through share premium liability.

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#### **4. FINANCIAL RISK FACTORS**

##### **Credit Risk**

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. The Company's current policy is to invest excess cash in interest bearing deposits issued by its banking institutions.

The Company's maximum exposure to credit risk as at December 31, 2021 is the carrying value of cash and cash equivalents, and trade and other receivables. The majority of the Company's cash is held in Canadian chartered banks.

##### **Market Risk**

###### *Foreign Currency Risk*

The Company's exploration and evaluation activities are substantially denominated in Canadian dollars and United States dollars. The Company's funds are predominantly kept in Canadian dollars, with a major Canadian financial institution.

###### *Equity Price Risk*

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company. The Company's maximum exposure to fair value fluctuations as at December 31, 2021 is the fair value of marketable securities. The Company's other financial instruments (cash and cash equivalents, trade and other receivables, and trade and other payables) are not subject to equity price risk.

##### **Fair Value**

Marketable securities are classified as fair value through profit and loss ("FVTPL") and investments are classified as available for sale, which are both measured at fair value. Fair value of marketable securities and investments are determined based on bid-ask spread at each reporting date and is categorized as Level 1 measurement under the fair value hierarchy. Cash and cash equivalents and trade and other receivables are measured at amortized cost which approximates fair value due to their short-term nature. Trade and other payables and CEBA Loan are measured at amortized cost which also approximates fair value due to their short-term nature.

The fair value hierarchy has the following levels:

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

##### **Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company had current assets of \$2,657,397 (2020 - \$1,639,372) and current liabilities of \$37,563 (2020 - \$6,685). The Company's trade and other payables and receivables are subject to normal trade terms. As at December 31, 2021, the Company had working capital of \$2,619,834 (2020 - \$1,632,687).

##### **Interest Rate Risk**

The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

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**5. CASH AND CASH EQUIVALENTS**

The balance at December 31, 2021 consists of cash on deposit with Canadian banks in general non-interest-bearing accounts totaling \$530 (2020 - \$1,632,389) and \$2,531,250 (2020 - \$Nil) in short-term guaranteed cashable investment certificates and fixed instruments with remaining fixed maturities on the date of purchase of less than 90 days.

**6. MARKETABLE SECURITIES**

As at December 31, 2021, marketable securities consisted of shares in publicly-traded a cost of \$32,000 (2020 - \$Nil) and a fair value of \$32,000 (2020 - \$Nil). See note 9 for further details on acquisition of marketable securities.

**7. TRADE AND OTHER RECEIVABLES**

The Company's trade and other receivables arise from harmonized sales tax ("HST") due from the Canadian government. The HST receivable is not past due as at December 31, 2021.

	As at December 31,	
	2021	2020
HST receivable	\$ 10,284	\$ 6,983
<b>Total trade and other receivables</b>	<b>\$ 10,284</b>	<b>\$ 6,983</b>

At December 31, 2021, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4. The Company holds no collateral for any receivable amounts outstanding as at December 31, 2021.

**8. Capital Assets**

	Vehicles <sup>(1)</sup>	Total
<b>Cost</b>		
As at December 31, 2019	\$ -	\$ -
Additions	-	-
<b>As at December 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Additions</b>	<b>43,916</b>	<b>43,916</b>
<b>As at December 31, 2021</b>	<b>\$ 43,916</b>	<b>\$ 43,916</b>
<b>Accumulated amortization</b>		
As at December 31, 2019	\$ -	\$ -
Amortization	-	-
<b>As at December 31, 2020</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Amortization</b>	<b>-</b>	<b>-</b>
<b>As at December 31, 2021</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net book value</b>		
As at December 31, 2020	\$ -	\$ -
<b>As at December 31, 2021</b>	<b>\$ 43,916</b>	<b>\$ 43,916</b>

Notes: <sup>(1)</sup> No amortization has been recorded on these assets as they were acquired in December of 2021 and had not yet been made available for use.

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**9. TRADE AND OTHER PAYABLES**

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at December 31,	
	2021	2020
Less than or equal to 90 days	\$ 37,563	\$ 6,685
<b>Total trade and other payables</b>	<b>\$ 37,563</b>	<b>\$ 6,685</b>

**10. CEBA LOAN**

The Company received a \$60,000 Canada Emergency Business Account loan (“CEBA Loan”) from the government of Canada comprised of \$40,000 received on July 22, 2020 and \$20,000 received on December 21, 2020. The CEBA Loan is interest free and becomes due on December 31, 2022. Up to 25 percent of the first \$40,000 of the CEBA Loan, being \$10,000 is forgivable if the \$40,000 of the CEBA Loan is repaid on or before December 31, 2022. Up to 50 percent of the second \$20,000 of the CEBA Loan, being \$10,000 is forgivable if the \$20,000 of the CEBA Loan is repaid on or before December 31, 2022.

In December 2021, the Company repaid \$40,000 on the CEBA Loan and under the program was entitled to forgiveness of debt on the remaining \$20,000 and recorded this on the consolidated statement of comprehensive loss for the year ended December 31, 2021.

**11. EXPLORATION AND EVALUATION EXPENDITURES**

The evaluation and exploration expenses for the Company are segregated as follows:

	Year ended December 31,	
	2021	2020
Black Warrior	\$ -	\$ -
Moonlight-Superior	1,516,121	155,592
Timore	1,195	1,195
Warren Whiteside	(29,984)	1,016
<b>Exploration and evaluation expenditures</b>	<b>\$ 1,487,332</b>	<b>\$ 157,803</b>

**Black Warrior**

On May 20, 2008, the Company acquired a 100% interest in 2 patented claims near Silver Peak in Esmeralda County, Nevada for US\$25,000.

**Moonlight-Superior**

Effective June 28, 2013, the Company purchased a 100% interest in the Superior Project, subject to an underlying production royalty, which included 132 unpatented mining claims and a lease on 36 patented claims in Plumas County, California for \$50,000. The conditions of the lease include an annual lease payment of US\$20,000 per year and an annual work obligation of US\$25,000. The Company has a right to purchase the leased patented claims, and if purchased, the leased patented claims will be subject to an annual royalty payment schedule.

During the year ended December 31, 2015, the Company restaked the area in a more efficient way resulting in title to 47 unpatented claims. During the year ended December 31, 2016, the Company staked 57 additional claims. In addition, during the year ended December 31, 2018, the Company staked an additional 6 claims adjacent to the Superior Mine and an additional 35 new federal mining claims adjacent to the Engels Mine.

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**11. EXPLORATION AND EVALUATION EXPENDITURES (continued)**

**Moonlight-Superior (continued)**

On February 26, 2016, the Company entered into an agreement with Canyon Copper Corp (“Canyon”) to acquire a 100% interest in the Moonlight Property (the “Agreement”), subject to an underlying production royalty. Under the terms of the Agreement US Copper acquired a 100% interest in the Moonlight Property for consideration of \$375,000 and 2,750,000 common shares of the Company as follows:

- Cash Payments: \$5,000 due on signing (paid), \$20,000 due on or before June 1, 2016 (paid); and \$350,000 (Paid in February 2018) due on or before March 4, 2019.
- Common Share Issuances: 2,000,000 common shares on or before 5 days after TSXV approval, which was received on March 4, 2016 (issued with a fair market value of \$140,000), 750,000 common shares on or before 5 days after 1<sup>st</sup> anniversary of TSXV approval if the final payment has not yet been paid (issued with a fair market value of \$60,000).

In addition, the advanced royalty holders, being Lester Storey and Metamin Enterprises Inc., (the “Advanced Royalty Holders”) have approved the following: (i) elimination of the advanced royalty payments, (ii) an increase in each of the Advance Royalty Holder’s net smelter returns from 1.0% to 1.25%, in exchange for the issuance of 300,000 common shares of the Company to each of the Advance Royalty Holders (issued with a fair market value of \$42,000).

During the year ended December 31, 2020, the Company elected to not renew 75 unpatented claims. During the year ended December 31, 2021, the Company re-staked 47 unpatented claims and now holds a total of 329 (2020 – 282) unpatented claims and a lease on 36 patented claims.

**Timore**

The Company owns a 100% interest in patented claims covering 1 property near Timmins, Ontario and 1 property near Red Lake, Ontario.

**Warren Whiteside**

The Company owns a 100% interest in 14 patented mining claims in Whiteside Township in Ontario.

On August 23, 2021, the Company optioned the Warren Whiteside property (the “**Property**”) to Western Troy Capital Resources Inc. (“**Western Troy**”) for consideration of 2,500,000 common shares in the capital of Western Troy (“**WT Shares**”) and exploration expenditures, payable as follows (the “**Transaction**”):

- upon signing the Agreement and after all regulatory approvals, Western Troy will issue 200,000 WT Shares (received - fair market value on the date of the agreement of \$32,000);
- on or before February 1, 2022, Western Troy will issue 800,000 WT Shares following the completion of not less than three diamond drilling holes of an aggregate of at least 450 feet on the Property and completing a technical report, prepared in accordance with National Instrument 43-101 – Standards of Disclosure for Mineral Projects;
- and on or before December 1, 2022, Western Troy will issue 1,500,000 WT Shares.

In the event that Western Troy does not complete any of the above compensation, the Property and all consideration received to date would remain with the Company.

This Transaction is considered a related party transaction for accounting purposes as the Company and Western Troy share a common officer, who is also a director of both Companies as well as a second director in common. The common officer and directors recused themselves from voting on any approvals related to the Transaction.

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**12. RELATED PARTY DISCLOSURES**

Certain corporate entities and consultants that are related to the Company's officers and directors provide consulting and other services to US Copper. All transactions were conducted in the normal course of operations and are measured as follows:

<b>As at December 31,</b>	<b>2021</b>	2020
Amount included in trade and other payables, due to directors and/or officers	\$ <b>8,600</b>	\$ -

Amounts due to directors and officers are non-interest bearing and have no set terms of repayment.

<b>Transactions during the year ended December 31,</b>	<b>2021</b>	2020
<b>Balances:</b>		
Short-term benefits	\$ <b>60,000</b>	\$ 54,250
Share based compensation	<b>40,100</b>	105,600
Total compensation paid to key management	<b>\$ 100,100</b>	\$ 159,850

During the year ended December 31, 2021, certain officers, directors or companies controlled by them participated in the Company's private placements as described in Note 11 (a) and subscribed for 800,000 units (2020 - 3,700,000), for total gross proceeds to the Company of \$180,000 (2020 - \$92,500).

**13. SHARE CAPITAL**

*(a) Common Shares*

US Copper's authorized share capital consists of an unlimited number of common shares and with no par value. The issued and outstanding common shares are as follows:

	Number of Shares	Stated Value
Balance, December 31, 2019	44,429,627	\$ 12,229,404
Private placements	43,100,000	2,002,500
Cash share issue costs	-	(65,612)
Value assigned to warrants issued on private placement - subscriber	-	(378,000)
Value assigned to warrants issued on private placement - broker	-	(10,000)
<b>Balance, December 31, 2020</b>	<b>87,529,627</b>	<b>\$ 13,778,292</b>
<b>Private placements</b>	<b>15,000,000</b>	<b>2,500,000</b>
<b>Cash share issue costs</b>	<b>-</b>	<b>(45,009)</b>
<b>Value assigned to warrants issued on private placement - subscriber</b>	<b>-</b>	<b>(366,000)</b>
<b>Shares issued on stock options exercised <sup>1</sup></b>	<b>1,325,000</b>	<b>147,000</b>
<b>Value of reserve for share based payments transferred on stock options exercised</b>	<b>-</b>	<b>53,300</b>
<b>Shares issued on warrants exercised <sup>2</sup></b>	<b>8,300,000</b>	<b>680,000</b>
<b>Value of reserve for share based payments transferred on stock warrants exercised</b>	<b>-</b>	<b>65,900</b>
<b>Balance, December 31, 2021</b>	<b>112,154,627</b>	<b>\$ 16,813,483</b>

<sup>1</sup> The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2021 was \$0.20 (2020 - \$Nil).

<sup>2</sup> The weighted average trading price on date of exercise for the warrants exercised during year ended December 31, 2021 was \$0.23 (2020 - \$Nil).

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**13. SHARE CAPITAL (continued)**

*(a) Common Shares (continued)*

***Private Placements – 2021***

On May 19, 2021, the Company completed a private placement of 10,000,000 units at a price of \$0.20 per unit for proceeds of \$2,000,000. Each unit consisted of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share for \$0.25 for two years from the date of closing. As part of the private placement, the Company paid finder fees of \$13,800.

The grant date fair value of the warrants of \$306,000 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.3%
Expected volatility	87%
Expected life of warrants	2 years
Expected dividend yield	Nil
Share price value on grant date	\$0.17

On February 8, 2021, the Company completed a private placement of 5,000,000 units at a price of \$0.10 per unit for proceeds of \$500,000. Each unit consisted of one common share and one half of one common share purchase warrant, each whole warrant entitling the holder to purchase one common share for \$0.15 for two years from the date of closing.

The grant date fair value of the warrants of \$60,000 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.2%
Expected volatility	78%
Expected life of warrants	2 years
Expected dividend yield	Nil
Share price value on grant date	\$0.09

***Private Placements – 2020***

On November 19, 2020, the Company completed a private placement of 30,000,000 units at a price of \$0.05 per unit for proceeds of \$1,500,000. Each unit consisted of one common share and one common share purchase warrant, each warrant entitling the holder to purchase one common share for \$0.10 for three years from the date of closing. As part of the private placement, the Company paid finder fees of \$34,000.

The grant date fair value of the warrants of \$312,000 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.3%
Expected volatility	75%
Expected life of warrants	3 years
Expected dividend yield	Nil
Share price value on grant date	\$0.04

On July 27, 2020, the Company completed a private placement of 7,000,000 units at a price of \$0.05 per unit for proceeds of \$350,000. Each unit consisted of one common share and one common share purchase warrant, each warrant entitling the holder to purchase one common share for \$0.10 for two years from the date of closing.



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**13. SHARE CAPITAL (continued)**

*(a) Common Shares (continued)*

**Private Placements – 2020 (continued)**

As part of the private placement, the Company paid finders fees of \$3,150 and issued 500,000 finders' units, with each finder unit entitling the holder to purchase one unit at \$0.05 per unit, exercisable until July 27, 2022. Each unit consists of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share for \$0.10 at any time until July 27, 2022.

The grant date fair value of the warrants issued to subscribers and finder units and warrants issued to finders were \$42,000 and \$10,000, respectively, was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.3%
Expected volatility	66%
Expected life of warrants	2 years
Expected dividend yield	Nil
Share price value on grant date	\$0.04

On April 27, 2020, the Company completed a private placement of 6,100,000 units at a price of \$0.025 per unit for proceeds of \$152,500. Each unit consisted of one common share and one common share purchase warrant, each warrant entitling the holder to purchase one common share for \$0.05 for three years from the date of closing.

The grant date fair value of the warrants of \$24,000 was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	0.3%
Expected volatility	63%
Expected life of warrants	3 years
Expected dividend yield	Nil
Share price value on grant date	\$0.02

*(b) Warrants*

The outstanding warrants at December 31, 2021 are comprised as follows:

Date of Expiry	Type	No. of Warrants	Weighted Average Exercise Price \$
June 17, 2022	Warrants – Private Placement	2,400,000	0.10
July 27, 2022	Warrants – Private Placement	6,000,000	0.10
February 8, 2023	Warrants – Private Placement	2,500,000	0.15
April 27, 2023	Warrants – Private Placement	3,600,000	0.05
May 19, 2023	Warrants – Private Placement	5,000,000	0.25
November 19, 2023	Warrants – Private Placement	26,400,000	0.10
<b>Total</b>		<b>45,900,000</b>	<b>0.12</b>

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**13. SHARE CAPITAL (continued)**

**(b) Warrants (continued)**

The weighted average remaining life of the outstanding warrants at December 31, 2021 is 1.49 years (2020 – 2.42 years).

Continuity of the warrants to purchase common shares for the years ended December 31, 2021 and 2020:

<b>For the year ended December 31,</b>	<b>2021</b>		<b>2020</b>	
	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Warrants</b>
Outstanding at beginning of year	<b>0.10</b>	<b>48,300,000</b>	0.17	10,347,200
Transactions during the year:				
Issued on private placements	<b>0.22</b>	<b>7,500,000</b>	0.09	44,100,000
Exercised	<b>0.08</b>	<b>(8,300,000)</b>	0.20	-
Expired	<b>0.16</b>	<b>(1,600,000)</b>	0.20	(6,147,200)
Outstanding and exercisable at end of year	<b>0.12</b>	<b>45,900,000</b>	0.10	48,300,000

**(c) Options**

US Copper has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at December 31, 2021, the Company had 4,440,462 (2020 - 1,522,962) options remaining available for issuance under the plan.

Continuity of the unexercised options to purchase common shares is as follows:

<b>As at December 31,</b>	<b>2021</b>		<b>2020</b>	
	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Options</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>No. of Options</b>
Outstanding at beginning of year	<b>0.12</b>	<b>7,230,000</b>	0.13	4,320,000
Transactions during the year:				
Granted	<b>0.17</b>	<b>2,650,000</b>	0.11	4,325,000
Exercised	<b>0.11</b>	<b>(1,325,000)</b>	0.11	-
Expired	<b>0.15</b>	<b>(1,780,000)</b>	0.11	(1,415,000)
Outstanding and Exercisable at end of year	<b>0.13</b>	<b>6,775,000</b>	0.12	7,230,000

Subsequent to December, 31, 2021 and on March 10, 2022, the Company granted 400,000 stock options to various consultants of the Company. Each stock option is exercisable at \$0.10 for a period of three years from the grant date.

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**13. SHARE CAPITAL (continued)**

*(c) Options (continued)*

The following table provides additional information about outstanding stock options at December 31, 2021:

Range of Exercise Prices (\$)	No. of Options Outstanding and Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Life (Years)
<b>0.10</b>	<b>2,050,000</b>	<b>0.10</b>	<b>1.19</b>
<b>0.12 – 0.13</b>	<b>3,275,000</b>	<b>0.12</b>	<b>2.24</b>
<b>0.20 – 0.22</b>	<b>1,450,000</b>	<b>0.21</b>	<b>2.19</b>
<b>0.10 – 0.22</b>	<b>6,775,000</b>	<b>0.13</b>	<b>1.91</b>

The following table summarizes the assumptions used in the Black-Scholes valuation model for determining the fair value for the stock options granted during the year ended December 31, 2021:

	Feb-16-21	Apr-29-21	Oct-18-21	Total
Number of options granted	950,000	500,000	1,200,000	1,450,000
Risk-free interest rate	0.26%	0.49%	0.88%	
Expected life years	3.0	3.0	3.0	
Expected volatility	73%	81%	83%	
Exercise price	\$ 0.20	0.22	0.125	
Market price	\$ 0.19	0.22	0.125	
Vesting	Immediately	Immediately	Immediately	
Expected dividends	-	-	-	
Fair value of options granted as share based payments	\$ 83,000	57,000	80,000	\$ 220,000
Vesting of fair value of share based payments	\$ 83,000	57,000	80,000	\$ 220,000

The following table summarizes the assumptions used in the Black-Scholes valuation model for determining the fair value for the stock options granted during the year ended December 31, 2020:

	Aug-11-20	Nov-30-20	Dec-4-20	Total
Number of options granted	1,800,000	1,925,000	600,000	4,325,000
Risk-free interest rate	0.28%	0.29%	0.32%	
Expected life years	3.0	3.0	3.0	
Expected volatility	74%	77%	77%	
Exercise price	\$ 0.10	0.12	0.13	
Market price	\$ 0.09	0.12	0.125	
Vesting	Immediately	Immediately	Immediately	
Expected dividends	-	-	-	
Fair value of options granted as share based payments	\$ 73,000	114,000	36,000	\$ 223,000
Vesting of fair value of share based payments	\$ 73,000	114,000	36,000	\$ 223,000

The weighted average grant-date fair value of options granted as compensation during the year ended December 31, 2021 was \$0.08 (2020 – \$0.05) per option issued.

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**14. RESERVE FOR WARRANTS**

Reserve for warrants is comprised of the following:

<b>For the Year ended December 31,</b>	<b>2021</b>	<b>2020</b>
Balance, beginning of the year	\$ 452,000	\$ 333,000
Warrants issued on private placements - subscriber	366,000	378,000
Warrants issued on private placements - finder	-	10,000
Reserve transferred on exercise of warrants	(65,900)	-
Reserves transferred on expiry of warrants	(29,000)	(269,000)
Balance, end of year	<u>\$ 723,100</u>	<u>\$ 452,000</u>

**15. RESERVE FOR SHARE BASED PAYMENTS**

Reserve for share based payments is comprised of the following:

<b>For the Year ended December 31,</b>	<b>2021</b>	<b>2020</b>
Balance, beginning of the year	\$ 3,175,786	\$ 2,683,786
Share based payments granted	220,000	223,000
Reserve transferred on exercise of options	(53,300)	-
Reserves transferred on expiry of warrants	29,000	269,000
Balance, end of year	<u>\$ 3,371,486</u>	<u>\$ 3,175,786</u>

**16. COMMITMENTS AND CONTINGENCIES**

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

**17. SEGMENTED INFORMATION**

**Operating Segments**

At December 31, 2021 and 2020, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada and the United States.

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**17. SEGMENTED INFORMATION (continued)**

**Operating Segments (continued)**

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

**Geographic Information**

The Company currently has one reportable segment as at December 31, 2021 and 2020, being the exploration and evaluation of mineral properties in Canada and the United States. The following is a detailed breakdown of the Company's assets by geographical location:

<b>Identifiable assets as at December 31,</b>	<b>2021</b>	<b>2020</b>
Canada	\$ 2,657,397	\$ 1,639,372
United States	43,916	-
	<b>\$ 2,701,313</b>	<b>\$ 1,639,372</b>

**18. CAPITAL MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and evaluation of mineral properties. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of shareholders' equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended December 31, 2021 and 2020.

The Company considers its capital to be equity, which is comprised of share capital, reserve for warrants and share based payments and accumulated deficit, which as at December 31, 2021, totaled \$2,663,750 (2020 – \$1,572,687).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and to obtain sufficient funding to further the identification of mineral deposits.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate operational needs in interest bearing accounts with a Canadian financial institution.

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**19. INCOME TAXES**

**Income Tax Provision**

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Combined statutory income tax rate	<b>26.5%</b>	26.5%
Recovery of income taxes computed at statutory rates	<b>(639,000)</b>	(143,000)
Difference in foreign jurisdiction tax rates	<b>83,000</b>	9,000
Non-taxable and non-deductible expenses	<b>59,000</b>	59,000
Share issue costs	<b>(12,000)</b>	(17,000)
Tax benefits of losses and temporary differences not recognized	<b>509,000</b>	92,000
<b>Income tax provision</b>	<b>-</b>	<b>-</b>

**Deferred Income Tax Recovery**

The Canadian statutory income tax rate of 26.5% (2020 – 26.5%) is comprised of the federal income tax rate at approximately 15.0% (2020 – 15.0%) and the provincial income tax rate of approximately 11.5% (2020 – 11.5%). The US statutory income tax rate is approximately 21% (2020 – 21%). The primary differences which give rise to the deferred income tax recoveries at December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
<i>Deferred income tax assets</i>	<u>\$</u>	<u>\$</u>
Share issuance costs and other	<b>23,000</b>	21,000
Deferred exploration expenditures	<b>530,000</b>	537,000
Capital losses carried forward	<b>1,423,000</b>	1,423,000
Non-capital losses carried forward	<b>2,576,000</b>	2,062,000
	<b>4,552,000</b>	4,043,000
Less : valuation allowance	<b>(4,552,000)</b>	(4,043,000)
Net deferred tax assets	<u>-</u>	<u>-</u>
<i>Deferred tax liabilities</i>	<u>-</u>	<u>-</u>
Net deferred tax liability	<u>-</u>	<u>-</u>

The unamortized balance, for income tax purposes, of the share issuance fees and transaction costs amounts to approximately \$86,000 (2020 - \$79,000) and will be deductible in Canada over the next 4 (2020 – 4) years.

The Company has available for carry forward non-capital losses in Canada of \$6,273,000 (2020 - \$5,533,000) and in the USA of \$4,355,000 (2020 - \$2,839,000) to offset future taxable income.

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**19. INCOME TAXES (continued)**

As at December 31, 2021, the non-capital losses carry forwards expire as follows:

December 31,	USA (\$)	Canada (\$)
2025	-	384,000
2026	-	67,000
2027	-	593,000
2028	-	384,000
2029	-	332,000
2030	351,000	646,000
2031	17,000	612,000
2032	6,000	558,000
2033	182,000	372,000
2034	108,000	255,000
2035	62,000	100,000
2036	429,000	144,000
2037	543,000	226,000
2038	817,000	501,000
2039	169,000	165,000
2040	155,000	194,000
2041	1,516,000	740,000
	<u>4,355,000</u>	<u>6,273,000</u>

In addition, the Company has available for carry forward indefinitely Canadian capital losses of \$10,374,000 (2020 - \$10,374,000) and Canadian exploration expenditures of \$1,995,000 (2020 - \$2,024,000) as at December 31, 2021, which under certain circumstances, may be utilized to reduce taxable income in future years.