

Sitka Gold Corp.
Consolidated Financial Statements
December 31, 2021
(Expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sitka Gold Corp.

Opinion

We have audited the financial statements of Sitka Gold Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying 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 flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 to the financial statements, which 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.

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 2, 2022



An independent firm
associated with Moore
Global Network Limited

Sitka Gold Corp.**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

As at	December 31, 2021	December 31, 2020
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	5,269,198	725,798
Accounts receivable	13,921	-
Prepays (Note 5)	160,789	49,343
GST receivable	20,907	38,284
	<u>5,464,815</u>	<u>813,425</u>
Non- Current Assets		
Exploration and evaluation assets (Note 6)	7,889,814	4,043,239
Reclamation bond (Note 6)	58,355	33,784
	<u>13,412,984</u>	<u>4,890,448</u>
LIABILITIES		
Current liability		
Accounts payable and accrued liabilities	81,897	12,561
Due to related parties (Note 9)	565,062	453,518
Loan (note 7)	40,000	-
Flow-through share premium liabilities (Note 8)	508,362	-
	<u>1,195,321</u>	<u>466,079</u>
Non- Current Liabilities		
Deferred tax liabilities (Note 12)	53,749	-
	<u>1,249,070</u>	<u>466,079</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	14,948,653	6,973,803
Reserve	1,768,597	722,088
Deficit	(4,553,336)	(3,271,522)
	<u>12,163,914</u>	<u>4,424,369</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	<u>13,412,984</u>	<u>4,890,448</u>

Nature and continuance of operations (Note 1)

Commitments (Note 6)

APPROVED ON BEHALF OF THE BOARD

"Corwin Coe"
Corwin Coe, Director

"Donald Penner"
Donald Penner, Director

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

Sitka Gold Corp
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
	\$	\$
EXPENSES		
Administration expenses	176,674	87,161
Listing and filing fees	52,841	47,913
Investor relations	435,451	485,028
Professional fees	44,056	40,724
Payroll	27,316	18,775
Share-based payments (Note 8)	770,216	381,125
Travel and accommodation	67,364	58,167
LOSS BEFORE OTHER ITEMS	(1,573,918)	(1,118,893)
OTHER ITEMS		
Foreign exchange gain (loss)	(3,452)	(6,774)
Income tax expense	(53,749)	-
Interest and other income	41,901	2,119
Reversal of flow-through premium liability	307,404	-
	292,104	(4,655)
NET AND COMPREHENSIVE LOSS	(1,281,814)	(1,123,548)
Basic and diluted loss per share		
	\$ (0.01)	(0.02)
Weighted average number of shares (basic and diluted)	102,019,440	46,350,720

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

Sitka Gold Corp.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Common Shares Outstanding	Share Capital \$	Reserve \$	Deficit \$	Total Shareholders' Equity \$
Balance, December 31, 2019	30,697,654	3,164,690	313,132	(2,147,974)	1,329,848
Shares issuance for cash, net of fees (Note 8)	1,084,665	130,160			130,160
Shares issuance for cash, net of fees (Note 8)	6,000,000	1,200,000			1,200,000
Shares issuance on warrants exercised	4,278,745	744,069			744,069
Shares issuance on stock options exercised	125,000	15,000			15,000
Shares issuance for option agreements (Note 6)	3,000,000	598,500			598,500
Shares issuance for cash, net of fees	13,204,332	1,121,384	27,831		1,149,215
Share-based payments (Note 8)			381,125		381,125
Loss for the year				(1,123,548)	(1,123,548)
Balance, December 31, 2020	58,390,396	6,973,803	722,088	(3,271,522)	4,424,369
Shares issuance for cash, net of fees (Note 8)	50,945,086	5,900,102	214,528		6,114,630
Shares issuance for cash, net of fees (Note 8)	16,679,050	2,613,414	61,765		2,675,179
Flow-through share premium (Note 8)		(815,766)			(815,766)
Shares issuance on warrants exercised	857,500	126,100			126,100
Shares issuance on stock options exercised	200,000	36,000			36,000
Shares issuance for option agreements (Note 6)	900,000	115,000			115,000
Share-based payments (Note 8)			770,216		770,216
Loss for the year				(1,281.814)	(1,281.814)
Balance, December 31, 2021	127,972,032	14,948,653	1,768,597	(4,553.336)	12,163,914

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

Sitka Gold Corp.
Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

	Year ended December 31, 2021	Year ended December 31, 2020
	\$	\$
Cash flows from operating activities		
Loss for the year	(1,281,814)	(1,123,548)
Items not affecting cash		
Income tax expense	53,749	-
Government grant	(20,000)	-
Share-based payments	770,216	381,125
Reversal of flow-through premium liability	(307,404)	-
Change in non-cash working capital		
Accounts receivable	(13,921)	-
Prepaid	(111,446)	194,413
GST receivable	17,377	(16,463)
Accounts payable and accrued liabilities	(448,877)	(315,214)
Due to related parties	111,544	304,885
	<u>(1,270,576)</u>	<u>(574,802)</u>
Cash flows from investing activities		
Exploration and evaluation assets	(3,173,362)	(2,273,790)
Reclamation bond	(24,571)	28,311
	<u>(3,197,933)</u>	<u>(2,245,479)</u>
Cash flows from financing activities		
Cash payments received from issuance of shares	8,951,909	3,238,444
Loan	60,000	-
	<u>8,991,909</u>	<u>3,238,444</u>
Increase in cash and cash equivalents	4,543,400	418,163
Cash and cash equivalents, beginning of year	725,798	307,635
Cash and cash equivalents, end of year	<u>5,269,198</u>	<u>725,798</u>
Components of cash and cash equivalents:		
Cash	2,764,148	223,693
Short-term investments	<u>2,505,050</u>	<u>502,105</u>
	<u>5,269,198</u>	<u>725,798</u>
Non-cash investing activities	\$	\$
Shares issued for exploration and evaluation assets	115,000	598,500
Exploration and evaluation expenditures In accounts payable and accrued liabilities	558,213	452,949

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

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

1. Nature and continuance of operations

Sitka Gold Corp. (the "Company"), was incorporated on January 13, 2015 under the laws of the province of British Columbia. The Company's principal business activity is the exploration for mineral resources in Nunavut Canada, Nevada USA and Arizona USA and Yukon Canada.

The Company's shares trade on the Canadian Securities Exchange (the "CSE") under the symbol "SIG".

The Company's registered office and principal place of business is Suite 1500, 409 Granville Street, Vancouver, British Columbia, Canada.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there always exists material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The outbreak of the Coronavirus in 2020, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the Coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the Coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

2. Basis of preparation

(a) Statement of compliance

The consolidated financial statements for the year ended December 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issuance on May 2 2022 by the directors of the Company.

(b) Basis of measurement

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is also the Company's functional currency.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

2. Basis of preparation (continued)

(c) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Arctic Copper Corp. and Sitka Gold (US) Corp. The controlled entity is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

(d) Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumption where there is significant risk of material adjustments to assets and liabilities in future accounting period include the recoverability of the carry value of the exploration and evaluation assets, the measurements for financial instrument, the recoverability of deferred tax assets and the measurement of Flow-through share premium liabilities.

The preparation of financial statements in accordance with IFRS required the Company to make judgements, apart from those involving estimates, in applying accounting policies. The following are the most significant judgements that management has made in applying the Company's financial statements: the assessment of the Company's ability to continue as a going concern and the classification of exploration and evaluation assets.

(a) Exploration and evaluation assets

Exploration costs incurred prior to the Company obtaining the legal right to explore an area are expensed in the period in which they are incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Exploration and evaluation costs are capitalized. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(b) Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

(c) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred 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 and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(d) Foreign currency translation

The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

The functional and presentation currency, as determined by management, of the Company and its subsidiary is the Canadian dollar.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(e) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

(f) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. 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 expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

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

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

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

Financial assets

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalent is measured at FVTPL. Receivables are measured at amortized cost.

Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

Impairment

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

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

Financial liabilities

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

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability and modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(h) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(i) Asset retirement obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for 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 value of the asset, as soon as the obligation to incur such costs arises. Risk-free discount rates using pre-tax rates that reflect the time value of money are used to calculate the net present value. The Company records a provision for environmental rehabilitation in the financial statements when it is incurred and capitalizes this amount as an increase in the carrying amount of the related asset. 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 related liability is adjusted 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. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

(j) Accounting Standards and Interpretations Issued but Not Yet Adopted

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

4. Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash	\$2,764,148	\$223,693
Cash equivalents	<u>2,505,050</u>	<u>502,105</u>
Total	\$5,269,198	\$725,798

The Company's cash equivalents consist of Guaranteed Investment Certificate (GIC) which can be redeemed at any time. As at December 31, 2021, the GIC bears variable interest at 0.25% (2020 - 0.78%) per annum and matures on March 10, 2022.

5. Prepaids

During the year ended December 31, 2021, the Company made prepayments for exploration costs, administration fees and market consultation services. As of December 31, 2021, the balance of prepaids is \$160,789 (2020 - \$49,343)

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

6. Exploration and evaluation assets

A continuity of the Company's exploration and evaluation assets is as follows:

	Coppermine River Property, Nunavut	Alpha Gold Property, Nevada	Burro Creek Property, Arizona	OGI Property, Yukon	Other Yukon Properties	Total
Balance, December 31, 2019	\$ 215,595	\$ 8,555	\$ 415,736	\$ -	\$ 329,294	\$ 969,180
Claim fees and Staking costs	-	18,223	7,858	-	30,470	56,551
Geological costs	1,500	61,180	161,182	16,300	250,538	490,700
Drilling costs	-	281,474	501,066	51,907	365,924	1,200,371
Camp costs	-	-	-	18,059	226,311	244,370
Helicopter costs	-	-	-	32,538	92,950	125,488
Travel and accommodation	-	1,612	28,158	-	-	29,770
Equipment and supplies	-	1,140	37,417	2,220	93,532	134,309
Total exploration costs	1,500	363,629	735,681	121,024	1,059,725	2,281,559
Acquisition costs	-	14,000	247,500	68,000	503,000	832,500
Yukon Government Incentive	-	-	-	-	(40,000)	(40,000)
Total 2020 additions	1,500	377,629	983,181	189,024	1,522,725	3,074,059
Balance, December 31, 2020	217,095	386,184	1,398,917	189,024	1,852,019	4,043,239
Claim fees and Staking costs	-	88,531	7,497	9,561	5,765	111,354
Geological costs	-	289,233	130,447	180,244	1,032,268	1,632,192
Drilling costs	12,915	184,987	-	-	887,119	1,085,021
Camp costs	-	-	-	-	444,371	444,371
Helicopter costs	-	-	-	-	66,156	66,156
Travel and accommodation	-	4,108	-	-	34,145	38,253
Transportation costs	-	5,818	-	-	50,081	55,899
Equipment and supplies	-	37,489	3,556	-	64,287	105,332
Total exploration costs	12,915	610,166	141,500	189,805	2,584,192	3,538,578
Acquisition costs	-	12,100	260,000	33,000	117,000	422,100
Yukon Government Incentive	-	-	-	-	(114,103)	(114,103)
Total 2021 additions	-	622,266	401,500	222,805	2,587,089	3,846,575
Balance, December 31, 2021	\$ 230,010	\$ 1,008,450	\$ 1,800,417	\$ 411,829	\$ 4,439,108	\$ 7,889,814

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

(a) *Coppermine River Property, Nunavut*

The Company has staked 45 mineral claims which form the Coppermine River Project in the northwest region of Nunavut.

(b) *Adobe Gold Property, Nevada, USA*

On December 8, 2015, the Company entered into an option agreement with Intercept Minerals Corporation ("Intercept"), whereby the Company has the option to acquire 60% of Intercept's interest in the Adobe Gold Property.

During the year ended December 31, 2019, the Company relinquished its option on the Adobe Gold Property, and wrote off all acquisition costs and exploration expenditures incurred by the Company of \$834,556.

In February 2018, the Company paid \$24,564 for a reclamation bond with the Bureau of Land Management in the State of Nevada ("BLM") to insure the completion of future asset retirement obligations as estimated utilizing a standardized reclamation cost estimating system for the State of Nevada. In November 2020, BLM partially refunded the reclamation bond in the amount of \$14,876.

(c) *Alpha Gold Property, Nevada, USA*

In January 2018, the Company entered into an agreement with Objective Exploration LLC, a company controlled by an officer of the Company to acquire 100% of Objective's interest in the Alpha Gold Property located in Eureka County, Nevada, subject to the following terms:

- (i) grant a 1.5% NSR with the right to purchase all of the NSR for US\$3,000,000;
- (ii) starting May 7, 2019, pay US\$10,000 annually (paid), as an advance royalty until 2039 or until purchase of NSR;
- (iii) pay US\$10,000 annually in cash or shares after 10,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR;
- (iv) pay an additional US\$20,000 annually in cash or shares after 50,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR; and
- (v) pay all fees to file and maintain the property

As of December 31, 2021, the Company paid \$48,667 for a reclamation bond with the Bureau of Land Management in the State of Nevada to insure the completion of future asset retirement obligations as estimated utilizing a standardized reclamation cost estimating system for the State of Nevada.

As of December 31, 2021, the Company incurred total acquisition and exploration expenditures of \$1,008,450 relating to the Alpha Gold Property.

(d) *Burro Creek Property, Arizona, USA*

On September 17, 2018, the Company entered into an option agreement ("Option Agreement") with Coelton Ventures Ltd. ("Coelton") controlled by a director of the Company, to acquire a 100% interest in the Burro Creek Property located in Mohave County, Arizona, USA, by completing the following:

- (i) Within 30 days of the Company receiving conditional acceptance of this Option Agreement from the CSE making a payment of \$50,000 and issuing 500,000 common shares of the Company to Coelton (paid and issued);

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

- (i) Making a further cash payment of \$50,000 and a further share issuance of 500,000 common shares to Coelton (paid and issued) and completing a cumulative total of \$100,000 in expenditures (incurred) on the Property by September 17, 2019;
 - (ii) Making a further cash payment of \$150,000, a further share issuance of 500,000 common shares to Coelton (paid and issued) and completing a cumulative total of \$250,000 in expenditures (incurred) on the Property by September 17, 2020;
 - (iii) Making a further cash payment of \$200,000, a further share issuance of 500,000 common shares (paid and issued) to Coelton and completing a cumulative total of \$1,000,000 in expenditures (incurred) on the Property by September 17, 2021;
 - (iv) Making a further cash payment of \$300,000, a further share issuance of 500,000 common shares to Coelton and completing a cumulative total of \$3,000,000 in expenditures on the Property by September 17, 2023;
 - (v) Making a further share disbursement of 1,000,000 Common Shares to Coelton and completing a cumulative total of \$4,000,000 in expenditures on the Property by September 17, 2024; and
 - (vi) Making a further share disbursement of 1,000,000 common shares to Coelton by September 17, 2025.
- (e) *OGI Property, Yukon*

In August 2020, the Company entered into an option agreement with Fox Exploration Limited ("Fox"), a company controlled by a director of the Company, whereby the Company can acquire a 100% interest in the OGI Property located in Yukon's prolific Tombstone Gold Belt, subject to the following terms:

- (1) pay Fox \$225,000 in aggregate:
 - (i) \$10,000 within five days of approval date (paid);
 - (ii) \$15,000 on or before December 31, 2020 (paid);
 - (iii) \$20,000 on or before December 31, 2021 (paid);
 - (iv) \$30,000 on or before December 31, 2022;
 - (v) \$50,000 on or before December 31, 2023; and
 - (vi) \$100,000 on or before December 31, 2024.
- (2) incur Expenditures in the aggregate amount of not less than \$2,500,000 as follows:
 - (i) in the amount of \$100,000 on or before December 31, 2020 (incurred);
 - (ii) in the aggregate amount of \$200,000 on or before December 31, 2021 (incurred);
 - (iii) in the aggregate amount of \$500,000 on or before December 31, 2022;
 - (iv) in the aggregate amount of \$1,250,000 on or before December 31, 2023; and
 - (v) in the aggregate amount of \$2,500,000 on or before December 31, 2024.
- (3) issue 1,000,000 Common Shares in aggregate to Fox as follows:
 - (i) 100,000 Common Shares within five days of approval date (issued);
 - (ii) an additional 100,000 Common Shares on or before December 31, 2020 (issued);
 - (iii) an additional 100,000 Common Shares on or before December 31, 2021 (issued);
 - (iv) an additional 200,000 Common Shares on or before December 31, 2022;
 - (v) an additional 200,000 Common Shares on or before December 31, 2023; and
 - (vi) an additional 300,000 Common Shares on or before December 31, 2024.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

The Company must also issue a bonus of 500,000 shares if 1 million ounces of gold equivalent in any category is defined in a published NI 43-101 resource estimate. Fox also retains a 2% NSR on the OGI claims, half of which can be purchased for \$2,000,000.

The following properties are contiguous and comprise the other Yukon Properties:

(f) *RC Gold Property, Yukon*

In July 2019, the Company entered into two separate option agreements to acquire two Properties located in the Clear Creek district within the heart of the Yukon's Tintina Gold Belt and within the Tombstone Gold Belt as follows:

The Company entered the first option agreement with an optioner to acquire a 100% interest in the BEE and BOP Property subject to the following terms:

- (1) Pay William Mann \$100,000 in aggregate:
 - (i) \$2,500 within five business days of the Approval Date (paid);
 - (ii) \$2,500 on or before December 31, 2019 (paid);
 - (iii) \$5,000 on or before December 31, 2020 (paid);
 - (iv) \$10,000 on or before December 31, 2021 (paid);
 - (v) \$15,000 on or before December 31, 2022;
 - (vi) \$25,000, on or before December 31, 2023; and
 - (vii) \$40,000 on or before December 31, 2024.
- (2) incur expenditures in the aggregate amount of not less than \$630,000:
 - (i) in the amount of \$10,000 on or before December 31, 2019 (incurred);
 - (ii) in the aggregate amount of \$40,000 on or before December 31, 2020 (incurred);
 - (iii) in the aggregate amount of \$115,000 on or before December 31, 2021 (incurred);
 - (iv) in the aggregate amount of \$240,000 on or before December 31, 2022;
 - (v) in the aggregate amount of \$430,000 on or before December 31, 2023; and
 - (vi) in the aggregate amount of \$630,000 on or before December 31, 2024.
- (3) issue 500,000 Common Shares in aggregate to William Mann:
 - (i) 50,000 Common Shares within five business days of the Approval Date (issued)
 - (ii) an additional 50,000 Common Shares on or before December 31, 2019 (issued);
 - (iii) an additional 50,000 Common Shares on or before December 31, 2020 (issued);
 - (iv) an additional 50,000 Common Shares on or before December 31, 2021 (issued);
 - (v) an additional 125,000 Common Shares on or before December 31, 2022; and
 - (vi) an additional 175,000 Common Shares on or before December 31, 2023.

The Company will pay the optioner an additional bonus of \$250,000 in cash, shares or any combination thereof, at the Company's option, upon receiving a resource calculation of at least 1 million ounces of gold in any category within the RC Gold Property. The BEE and BOP Property claims are subject to a 2% NSR, half of which can be purchased for \$2,000,000.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

The Company entered the second option agreement with Fox Exploration Ltd, a company controlled by a director of the Company, to acquire a 100% interest in the RC Gold Property subject to the following terms:

- (1) pay Fox Exploration Ltd. \$300,000 in aggregate:
 - (i) \$7,500 within five business days of the Approval Date (paid);
 - (ii) \$7,500 on or before December 31, 2019 (paid);
 - (iii) \$15,000 on or before December 31, 2020 (paid);
 - (iv) \$30,000 on or before December 31, 2021 (paid);
 - (v) \$45,000 on or before December 31, 2022;
 - (vi) \$75,000, on or before December 31, 2023; and
 - (vii) \$120,000 on or before December 31, 2024.

- (2) incur Expenditures in the aggregate amount of not less than \$1,870,000 as follows:
 - (i) in the amount of \$80,000 on or before December 31, 2019 (incurred);
 - (ii) in the aggregate amount of \$170,000 on or before December 31, 2020 (incurred);
 - (iii) in the aggregate amount of \$395,000 on or before December 31, 2021 (incurred);
 - (iv) in the aggregate amount of \$770,000 on or before December 31, 2022;
 - (v) in the aggregate amount of \$1,320,000 on or before December 31, 2023; and
 - (vi) in the aggregate amount of \$1,870,000 on or before December 31, 2024.

- (3) issue 1,500,000 Common Shares in aggregate to Fox Exploration Ltd. as follows:
 - (i) 150,000 Common Shares within five business days of the Approval Date (issued);
 - (ii) an additional 150,000 Common Shares on or before December 31, 2019 (issued);
 - (iii) an additional 150,000 Common Shares on or before December 31, 2020 (issued);
 - (iv) an additional 150,000 Common Shares on or before December 31, 2021 (issued);
 - (v) an additional 375,000 Common Shares on or before December 31, 2022; and
 - (vi) an additional 525,000 Common Shares on or before December 31, 2023.

The Company will pay Fox Exploration Ltd. an additional bonus of \$250,000 in cash, shares, or any combination thereof, at the Company's option, upon receiving a resource calculation of at least 1 million ounces of gold in any category within the RC Gold Property. The RC Property Claims are subject to a 2% NSR, half of which can be purchased for \$2,000,000.

(g) *Mahtin Gold Property, Yukon*

In January 2020, the Company entered into an agreement with StrikePoint Gold Inc. to acquire a 100% interest in the Mahtin Gold Property located in Yukon territory subject to certain underlying agreements.

The purchase price for the Property is 2,000,000 common shares (issued). Underlying royalties at 3% NSR exist on the property and can be reduced to 2% by the purchase of 1% for \$1,000,000.

Bonus payments are payable to an underlying royalty holder if exploration expenditures for the Property Area reach \$7,500,000, \$15,000,000 or \$25,000,000, for an aggregate bonus payment of \$2,250,000 in respect of any property area, with \$750,000 payable on any one of these expenditure targets being met. Exploration expenditures on the property at the time of execution of this assignment and assumption agreement total \$1,868,988.

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Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

(h) *Barney Ridge Property, Yukon*

In June 2020, the Company entered into an option agreement with an optioner, to acquire a 100% interest in the Barney Ridge gold property located next to the Company's RC Gold property approximately 110 km east of Dawson City, Yukon.

The Company has the right to acquire a 100% interest in the Barney Ridge claims subject to the following terms:

- (1) pay Bernie Kreft \$150,000 in aggregate:
 - (i) \$2,500 on signing (paid);
 - (ii) \$2,500 on December 15, 2020 (paid);
 - (iii) \$10,000 on June 26, 2021 (paid);
 - (iv) \$15,000 on June 26, 2022;
 - (v) \$20,000 on June 26, 2023;
 - (vi) \$40,000 on June 26, 2024; and
 - (vii) \$60,000 on June 26, 2025.
- (2) incur Expenditures in the aggregate amount of not less than \$850,000 as follows:
 - (i) in the amount of \$60,000 by June 26, 2021 (incurred);
 - (ii) in the aggregate amount of \$140,000 by June 26, 2022;
 - (iii) in the aggregate amount of \$220,000 by June 26, 2023;
 - (iv) in the aggregate amount of \$300,000 by June 26, 2024; and
 - (v) in the aggregate amount of \$850,000 by June 26, 2025.
- (3) issue 500,000 Common Shares in aggregate to Bernie Kreft as follows:
 - (i) 50,000 Common Shares on signing (issued);
 - (ii) an additional 50,000 Common Shares on June 26, 2021 (issued);
 - (iii) an additional 50,000 Common Shares on June 26, 2022;
 - (iv) an additional 50,000 Common Shares on June 26, 2023;
 - (v) an additional 100,000 Common Shares on June 26, 2024; and
 - (vi) an additional 200,000 Common Shares on June 26, 2025.
- (4) An additional \$200,000 is payable and 1,000,000 shares issuable upon the Company publicly disclosing an Inferred Mineral Resource or greater category of 750,000 ounces of gold or greater (as such term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). The property is subject to a 2% NSR, one-half of which can be purchased for \$1,500,000 at any time prior to commencement of commercial production.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

6. Exploration and evaluation assets (continued)

(i) *Clear Creek Gold Property, Yukon*

In June 2020, the Company entered into an additional option agreement with an optioner to acquire a 100% interest in the Clear Creek Gold Property located adjacent to the Company's RC Gold Property approximately 110 kilometers east of Dawson City, Yukon.

The Company has the right to acquire a 100% interest in the Barney Ridge claims subject to the following terms:

- (1) pay Bernie Kreft \$230,000 in aggregate:
 - (i) \$10,000 on signing (paid);
 - (ii) \$10,000 on December 15, 2020 (paid);
 - (iii) \$25,000 on June 26, 2021 (paid);
 - (iv) \$30,000 on June 26, 2022;
 - (v) \$35,000 on June 26, 2023;
 - (vi) \$40,000 on June 26, 2024; and
 - (vii) \$80,000 on June 26, 2025.
- (2) incur Expenditures in the aggregate amount of not less than \$1,250,000 as follows:
 - (i) in the amount of \$80,000 by June 26, 2021 (incurred);
 - (ii) in the aggregate amount of \$200,000 by June 26, 2022;
 - (iii) in the aggregate amount of \$350,000 by June 26, 2023;
 - (iv) in the aggregate amount of \$600,000 by June 26, 2024; and
 - (v) in the aggregate amount of \$1,250,000 by June 26, 2025.
- (3) issue 600,000 Common Shares in aggregate to Bernie Kreft as follows:
 - (i) 50,000 Common Shares on signing (issued);
 - (ii) an additional 50,000 Common Shares on June 26, 2021 (issued);
 - (iii) an additional 50,000 Common Shares on June 26, 2022;
 - (iv) an additional 50,000 Common Shares on June 26, 2023;
 - (v) an additional 100,000 Common Shares on June 26, 2024; and
 - (vi) an additional 300,000 Common Shares on June 26, 2025.
- (4) An additional \$200,000 is payable and 1,000,000 shares issuable upon the Company publicly disclosing an Inferred Mineral Resource or greater category of 750,000 ounces of gold or greater (as such term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101")). The property is subject to a 2% NSR, one-half of which can be purchased for \$1,500,000 at any time prior to commencement of commercial production.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

7. Loan

In March 2021, the Company applied for and received \$60,000 in Canada Emergency Business Account ("CEBA") which was an interest-free loan to cover operating costs which was offered in the context of the Covid-19 pandemic outbreak. Repaying \$40,000 of the loan on or before December 31, 2022 will result in a loan forgiveness of \$20,000. On December 31, 2022, the Company has the option to extend the loan for 3 years without the loan forgiveness and it will bear a 5% interest rate from December 31, 2022.

The Company intends to pay back the loan of \$40,000 by December 31, 2022 and the loan forgiveness of \$20,000 is recorded as other income in 2021.

8. Share capital

- (a) *Authorized*
Unlimited common shares with no par value
- (b) *Issued and outstanding*

	Number of Common shares	Share Capital
<i>Balance, December 31, 2019</i>	30,697,654	\$3,164,690
Shares issued on warrants exercised	4,278,745	744,069
Shares issued on stock options exercised	125,000	15,000
Issued pursuant to option agreement	3,000,000	598,500
Financing (i)	1,084,665	130,160
Financing (ii)	13,204,332	1,121,384
Financing (iii)	6,000,000	1,200,000
<i>Balance, December 31, 2020</i>	58,390,396	\$6,973,803
Shares issued on warrants exercised	857,500	126,100
Shares issued on stock options exercised	200,000	36,000
Issued pursuant to option agreement	900,000	115,000
Financing (iv)	50,945,086	5,900,102
Financing (v)	16,679,050	2,613,414
Flow-through share premium (iv and v)	-	(815,766)
<i>Balance, December 31, 2021</i>	127,972,032	\$14,948,653

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

8. Share capital (continued)

- (i) In March 2020, the Company closed non-brokered private placement for gross proceeds of \$130,160 through the issuance of 1,084,665 units at a price of \$0.12 per unit. Each unit will consist of one common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share at a price of \$0.20 for a period of 12 months from the date of closing of the private placement.
- (ii) In May 2020, the Company closed non-brokered private placement for total gross proceeds of \$1,188,390 through the issuance of 13,204,332 units (the "Units") at a price of \$0.09 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share at a price of \$0.14 for a period of 24 months from the date of closing of the private placement.

In connection with the private placement, the Company paid total commissions of \$39,175 and issued 435,280 finder's warrants with a fair value of \$27,831. Each finder's warrant is exercisable to acquire one common share of the Company at an exercise price of \$0.14 for 12 months from the date of closing of the Private Placement.

- (iii) In July 2020, the Company closed non-brokered private placement for total gross proceeds of \$1,200,000 through the issuance of 6,000,000 flow-through units at a price of \$0.20 per Unit (the "Flow-Through Units"). Each Flow-Through Unit consists of one flow-through common share and one-half of one non flow-through common share purchase warrant (the "Warrants"). Each Warrant will entitle the holder to purchase an additional common share at a price of \$0.22 for a period of 36 months from the date of closing of the Private Placement.
- (iv) In March 2021, the Company closed a non-brokered private placement for total proceeds of \$6,377,066 through the issuance of 21,243,684 flow-through units at a price of \$0.135 per flow-through unit and 29,243,069 non flow-through units at a price of \$0.12 per non flow-through unit. Each flow-through unit is comprised of a common share of Sitka and a half warrant. Each non flow-through unit is comprised of a common share of Sitka and a full warrant. Each warrant is exercisable into one common share at a price of \$0.18 per share for a period of 36 months from the closing date.

The flow-through units were issued at a premium in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$318,655 and as at December 31, 2021, \$307,404 was recognized as a settlement of the flow-through premium leaving \$11,251 as a flow-through share premium liability in the balance sheet.

In connection with the private placement, the Company paid commissions totaling \$272,538 and issued 2,138,122 finder's warrants. Each finder's warrant is exercisable to one common share of the company at exercise price of \$0.18 per share for 36 months from the closing date. The Company also issued 458,333 shares as a commission on a portion of the proceeds of the financing.

- (v) In December 2021, the Company closed a non-brokered private placement, whereby the Company completed the issuance of 16,570,354 flow through units at a price of \$0.17 per unit for gross proceeds of \$2,816,960.

Each flow through unit consists of one flow-through common share of the Company and one-half of one warrant. Each warrant entitles the holder to purchase one common share of the Company for a period of 2 years from the date of issue at an exercise price of \$0.23 per Warrant Share.

The flow-through units were issued at a premium in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$497,111 and as at December 31, 2021, \$Nil was recognized as a settlement of the flow-through premium leaving \$497,111 as a flow-through share premium liability in the balance sheet.

In connection with the private placement, the Company issued 747,162 finder's warrants and paid commissions of \$64,493 to certain finders. Each Finder's Warrant will entitle the holder, on exercise

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

8. Share capital (continued)

thereof, to acquire one additional common share of the Company at a price of \$0.23 per share for a period of 2 years from the date of issuance.

Canaccord Genuity Corp. acted as financial advisor to the Company in connection with the private placement. In consideration for such services, the Company issued 108,696 common shares at an issue price of \$0.23 per common share.

(c) Share purchase warrants

At December 31, 2021, the Company had warrants outstanding and exercisable as follows:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, December 31, 2019	16,744,199	0.21
Expired	(7,189,255)	0.15
Exercised	(4,278,745)	0.19
Granted (b(i))	542,333	0.20
Granted (b(ii))	13,639,612	0.14
Granted (b(iii))	3,000,000	0.22
Balance, December 31, 2020	22,458,144	0.16
Expired	(2,518,333)	0.18
Exercised	(857,500)	0.15
Granted (b(iv))	39,864,910	0.18
Granted (b(iv))	2,138,122	0.18
Granted (b(v))	8,285,177	0.23
Granted (b(v))	747,162	0.23
Balance, December 31, 2021	70,117,682	0.18

The weighted average life of the warrants outstanding at December 31, 2021 is 1.92 years.

(d) Stock options

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved a number of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

A summary of outstanding stock options at December 31, 2021 is as follows:

Number of stock options exercisable	Exercise price (\$)	Expiry date
1,000,000	0.25	May 15, 2022
200,000	0.25	March 5, 2023
750,000	0.12	June 15, 2024
125,000	0.12	October 17, 2022
2,000,000	0.14	May 27, 2025
500,000	0.17	June 10, 2025
100,000	0.18	October 28, 2022
50,000	0.18	November 18, 2025
4,500,000	0.19	April 6, 2026
9,225,000		

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

8. Share capital (continued)

Stock option transactions are summarized as follows:

	Number of stock options	Weighted average exercise price \$	Weighted average remaining life (years)
Balance, December 31, 2019	2,200,000	0.19	3.07
Granted (i)	2,000,000	0.14	
Granted (ii)	500,000	0.17	
Granted (iii)	300,000	0.18	
Granted (iv)	50,000	0.18	
Exercised	(125,000)	0.12	
Balance, December 31, 2020	4,925,000	0.17	3.73
Granted (v)	4,500,000	0.19	
Exercised	(200,000)	0.18	
Balance, December 31, 2021	9,225,000	0.19	3.31

- (i) On May 27, 2020, the Company granted an aggregate of 2,000,000 stock options to officers, directors and consultants of the Company. The Options are exercisable at \$0.14 per share for a period of 5 years from the date of grant. The total fair value was estimated to be \$259,530 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 0.29% and an expected volatility of 160%.
- (ii) On June 10, 2020, the Company granted 500,000 stock options to a consultant of the Company. The options are exercisable at \$0.17 per share for a period of 5 years. The total fair value was estimated to be \$78,311 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 0.26% and an expected volatility of 157%.
- (iii) On October 28, 2020, the Company granted 300,000 stock options to a consultant of the Company. The options are exercisable at \$0.18 per share for a period of 2 years. The total fair value was estimated to be \$34,319 using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 0.26% and an expected volatility of 141%.
- (iv) On November 18, 2020, the Company granted 50,000 stock options to a consultant of the Company. The options are exercisable at \$0.18 per share for a period of 5 years. The total fair value was estimated to be \$8,965 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 0.26% and an expected volatility of 112%.
- (v) In April 2021, the Company granted an aggregate of 4,500,000 incentive stock options to officers, directors and consultants of the Company. The stock options are exercisable at \$0.19 per share for a period of five years from the date of grant and are subject to the policies of the Canadian Securities Exchange. The total fair value was estimated to be \$770,216 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 0.26% and an expected volatility of 137%.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

9. Related party transactions

The Company had the following transaction involving key management during the year ended December 31, 2021:

- (a) An officer of the Company provided geological services of \$155,000 (2020- \$48,000) and management services of \$25,000 (2020 - nil) to the Company.
- (b) A director of the Company provided geological services of \$45,900 (2020- \$18,713) and management services of \$11,175 (2020 - nil) to the Company.
- (c) An officer of the Company provided geological services of \$73,078 (2020- \$42,799) to the Company.
- (d) A company controlled by a director of the Company provided general project management services to Sitka Gold Corp in relation to exploration programs that were completed. Fees incurred during the year were \$1,073,206 (2020- \$732,044). The fees included the payments to various consultants to provide geological services, to contractors to provide analytical and helicopter services, and the costs for project and camp-related labour, travel and equipment expenditures.
- (e) A director of the Company provided consulting services of \$26,500 (2020 - nil) to the Company.
- (f) A director of the Company provided consulting services of \$6,000 (2020 - nil) to the Company.
- (g) During the year, 150,000 shares (2020-150,000 shares) were issued and a payment of \$30,000 (2020 - \$15,000) was made to a company controlled by the director of the Company pursuant to the RC Gold Property agreement (4(f)).
- (h) During the year, 500,000 shares (2020-500,000 shares) were issued and a payment of \$200,000 (2020 -\$150,000) was made to a company controlled by the officer of the Company pursuant to the Burro Creek Property agreement (4(d)).
- (i) During the year, 100,000 shares (2020 - 100,000) were issued and a payment of \$20,000 (2020 - \$15,000) was made to a company controlled by the officer of the Company pursuant to the OGI Property agreement (4(e)).
- (h) During the year ended December 31, 2021, the Company recorded \$547,709 (2020- \$210,413) in share-based payments to the directors and officers of the Company.
- (j) A payment of \$12,500 (2020 - \$14,000) was made to a company controlled by the officer of the Company pursuant to the Alpha Property agreement (4(c)).

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

9. Related party transactions (continued)

Due to (from) related parties consists of the following:

	December 31, 2021	December 31, 2020
Due to an officer of the Company	\$82,631	\$28,905
Due to an officer of the Company	7,036	-
Due to a director of the Company	4,338	-
Due to a director of the Company	-	569
Due to a director of the Company	5,000	-
Due to a company controlled by the director of the Company	466,057	424,044
	<hr/> 565,062	<hr/> 453,518
Due from a director of the Company	(8,708)	(8,708)
Due from a company controlled by the director of the Company	(105,000)	-
	<hr/> (113,708)	<hr/> (8,708)

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

10. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk - The Company's credit risk is primarily attributable to its liquid financial assets. The Company's primary exposure to credit risk is on its cash. Cash are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution.

Liquidity Risk - Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

Interest rate risk - Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash earns interest income at variable rates. The fair value of cash is minimally affected by changes in short term interest rates.

Foreign currency risk - Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash held in United States funds.

Commodity price risk - The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

Fair Value - The Company has various financial instruments comprised of cash, receivables, and accounts payable and accrued liabilities.

The carrying amounts of the Company's financial instruments approximate their fair due to their short period of time until maturity.

11. Capital Management

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital. In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the year ended December 31, 2021.

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

12. Income Taxes

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

	2021	2020
Earnings (loss) for the year	\$ (1,228,064)	\$ (1,123,548)
Expected income tax (recovery)	(331,577)	(303,358)
Non-deductible expenditures and non-taxable revenues	124,959	102,904
Impact of flow through shares	744,841	-
Share issue costs	(18,092)	(14,468)
Adjustment to prior years provision versus statutory tax returns	-	(3,374)
Other	745,809	(710,219)
Change in unrecognized deferred assets	(1,265,940)	928,516
Total income tax expense (recovery)	\$ -	\$ -

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

	2021	2020
Deferred Tax Assets (liabilities)		
Share issuance costs	\$ 125,993	\$ (11,167)
Non-capital losses	983,354	523,318
Exploration and evaluation assets	(1,163,095)	613,427
Marketable securities	-	86,615
	(53,749)	\$1,212,191
Unrecognized deferred tax assets	53,749	(1,212,191)
Net deferred tax assets	\$ -	\$ -

Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Year Ended December 31, 2021

(Expressed in Canadian dollars)

12. Income Taxes (continued)

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

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ (4,307,761)	No expiry date	\$ 2,271,950	No expiry date
Share issue costs	466,640	2016 to 2019	(41,360)	2015 to 2019
Non-capital losses available for future period - Canada	3,642,050	2035 to 2036	1,938,213	2035
Property, plant, and equipment	-	No expiry date	-	No expiry date

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