

BENCHMARK METALS INC.

Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Benchmark Metals Inc.

Opinion

We have audited the consolidated financial statements of Benchmark Metals Inc. (the "Company") which comprise the consolidated statements of financial position as at February 28, 2021 and February 29, 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2021 and February 29, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

If, based on the work we have performed on this other information, 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 International Financial Reporting Standards as issued by the International Accounting Standards Board, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michael Ryan Ayre.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

June 28, 2021

BENCHMARK METALS INC.
Consolidated Statements of Financial Position
Expressed in Canadian Dollars

	February 28, 2021	February 29, 2020
ASSETS		
Current		
Cash	\$ 34,121,748	\$10,171,024
Short-term investment	10,000	10,000
Goods and services tax credit receivable	159,981	128,423
Mineral exploration tax credit receivable	1,767,737	-
Other receivable	12,034	4,617
Prepaid expenses and deposits	119,170	103,082
	36,190,670	10,417,146
Equipment (note 8)	212,534	104,226
Reclamation bonds (note 12)	272,082	202,082
Exploration and evaluation assets (note 4,5)	35,581,267	12,465,247
	\$ 72,256,553	\$23,188,701
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 1,213,766	\$ 77,311
Deferred flow-through liability	2,144,711	1,101,027
	3,358,477	1,178,338
Asset retirement obligation (note 12)	272,000	202,000
Deferred taxes (note 10)	3,291,685	-
	6,922,162	1,380,338
EQUITY		
Share capital (note 6)	73,099,561	28,716,846
Option and warrant reserve (note 6)	5,556,637	1,650,926
Deficit	(13,321,807)	(8,559,409)
	65,334,391	21,808,363
	\$ 72,256,553	\$23,188,701

SUBSEQUENT EVENT (note 14)

Authorized for issuance on behalf of the Board on June 28, 2021

Director (signed by) "Jim Greig"

Director (signed by) "Sean Mager"

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

BENCHMARK METALS INC.
Consolidated Statements of Comprehensive Loss
Expressed in Canadian Dollars

For the years ended	February 28, 2021	February 29, 2020
Expenses		
Exploration expenses	\$ 28,018	\$ -
Investor relations expenses	1,504,467	1,384,910
Management and consulting fees	369,990	392,585
Office and administration	185,434	139,894
Professional fees	250,551	231,075
Regulatory and filing fees	102,812	64,260
Share-based payments (note 6,9)	<u>3,125,258</u>	<u>105,945</u>
	(5,566,530)	(2,318,669)
Other income (expenses)		
Settlement of flow-through liability (note 11)	3,830,659	255,791
Interest income	265,158	64,616
Exploration and evaluation asset write-down (note 5)	<u>-</u>	<u>(1,849,414)</u>
Loss before income taxes for the year	(1,470,713)	(3,847,676)
Income tax expense (note 10)	<u>(3,291,685)</u>	<u>-</u>
Net loss and comprehensive loss for the year	\$ (4,762,398)	\$ (3,847,676)
Basic and diluted loss per common share	\$ (0.04)	\$ (0.05)
Weighted average number of common shares outstanding	<u>134,453,103</u>	<u>71,903,479</u>

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

BENCHMARK METALS INC.

Consolidated Statements of Changes in Equity
Expressed in Canadian Dollars

	Number of shares	Share capital	Advanced share Subscriptions received	Option and Warrant reserve	Deficit	Total equity
Balance at February 28, 2019	42,198,020	\$ 8,561,669	(21,250)	\$ 1,161,489	\$ (4,711,733)	\$ 4,990,175
Shares issued for cash	58,364,046	18,526,520	21,250	(126,866)	-	18,420,904
Shares issued for exploration and evaluation assets (note 4)	12,000,000	4,740,000	-	-	-	4,740,000
Flow-through premium liability	-	(1,315,588)	-	-	-	(1,315,588)
Share issuance costs	-	(1,285,397)	-	-	-	(1,285,397)
Finders warrants issued	-	(510,358)	-	510,358	-	-
Share based payments	-	-	-	105,945	-	105,945
Comprehensive loss	-	-	-	-	(3,847,676)	(3,847,676)
Balance at February 29, 2020	112,562,066	\$ 28,716,846	\$ -	\$ 1,650,926	\$ (8,559,409)	\$ 21,808,363
Shares issued for cash	45,622,995	53,946,850	-	(671,939)	-	53,274,911
Flow-through premium liability	-	(4,874,343)	-	-	-	(4,874,343)
Share issuance costs	-	(3,237,400)	-	-	-	(3,237,400)
Finders warrants issued	-	(1,452,392)	-	1,452,392	-	-
Share based payments	-	-	-	3,125,258	-	3,125,258
Comprehensive loss	-	-	-	-	(4,762,398)	(4,762,398)
Balance at February 28, 2021	158,185,061	73,099,561	-	5,556,637	(13,321,807)	65,334,391

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

BENCHMARK METALS INC.
Consolidated Statements of Cash Flows
Expressed in Canadian Dollars

For the years ended	February 28, 2021	February 29, 2020
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (4,762,398)	\$ (3,847,676)
Items not effecting cash:		
Deferred taxes	3,291,685	-
Share-based payments (note 6)	3,125,258	105,945
Settlement of flow-through liability	(3,830,659)	(255,791)
Exploration and evaluation asset write-down	-	1,849,414
	<u>(2,176,114)</u>	<u>(2,148,108)</u>
Changes in non-cash working capital:		
Amounts receivable	99,621	47,356
Goods and services tax receivable	(138,593)	11,561
Prepaid expenses and deposits	108,324	51,131
Accounts payable and accrued liabilities	1,002,039	(267,981)
Mineral exploration tax credit receivable	-	639,467
	<u>(1,104,723)</u>	<u>(1,666,574)</u>
Cash used in operating activities	<u>(1,104,723)</u>	<u>(1,666,574)</u>
Investing activities		
Purchase of a reclamation deposit	(70,000)	(110,000)
Purchase of equipment	(148,286)	(110,852)
Exploration and evaluation asset expenditures	(24,763,779)	(5,144,720)
Acquisition of subsidiary	-	(309,835)
	<u>(24,982,065)</u>	<u>(5,675,407)</u>
Cash used in investing activities	<u>(24,982,065)</u>	<u>(5,675,407)</u>
Financing activities		
Proceeds from private placement	50,267,660	15,674,251
Proceeds from exercise of options	792,750	91,600
Proceeds from exercise of warrants	2,214,502	2,655,053
Share issuance costs	(3,237,400)	(1,285,397)
	<u>50,037,512</u>	<u>17,135,507</u>
Cash provided by financing activities	<u>50,037,512</u>	<u>17,135,507</u>
Net increase in cash	23,950,724	9,793,526
Cash – beginning of year	<u>10,171,024</u>	<u>377,498</u>
Cash – end of year	\$ 34,121,748	\$ 10,171,024
Non-cash transactions and supplemental disclosures		
Finders warrants issued	\$ 1,452,392	\$ 510,358
Shares issued for exploration and evaluation assets	\$ -	\$ 4,740,000

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

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

1. Nature of operations

Benchmark Metals Inc. (“Benchmark” or the “Company”) was incorporated under the British Columbia Business Corporations Act on November 9, 2010 and has its shares listed for trading on the TSX Venture Exchange under the symbol “BNCH”. The Company’s head office is located at 10545 – 45 Avenue NW, 250 Southridge NW, Suite 300, Edmonton, AB, Canada T6H 4M9. The principal business of the Company is the identification, acquisition, exploration and evaluation of mineral properties.

The COVID-19 pandemic has caused significant and negative impact to the global financial markets. The Company’s exploration activities in Canada have not been significantly affected by the pandemic to date. If the Company becomes unable to conduct future exploration activities over the long-term in the future, this may result in a potential material impairment of exploration and evaluation assets. The Company continues to monitor and assess the impact of COVID-19 on its business activities. Currently the potential impact is uncertain, and it is difficult to reliably measure the extent of the effect of the COVID-19 pandemic on future financial results.

2. Basis of presentation

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

These consolidated financial statements were authorized for issue by the Board of Directors of the Company on June 30, 2021.

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary PPM Phoenix Precious Metals Corp. All intercompany transactions and balances have been eliminated from the date of acquisition of control.

Name of Subsidiary	Proportion of Ownership Interest	Principal Activity
PPM Phoenix Precious Metals Corp.	100%	Holds mineral interest in BC

On September 18, 2019, the Company acquired a 100% ownership interest of PPM Phoenix Precious Metals Corp. (“PPM”) (note 4).

These consolidated financial statements are presented in Canadian Dollars, and the use of the symbol “\$” herein is in reference to Canadian Dollars. Disclosures for amounts denominated in currencies other than Canadian Dollars use the International Standards Organization 3-letter symbol for such foreign currency.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, unless otherwise indicated.

a) Management estimates and judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its consolidated financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

a) Management estimates and judgments (continued)

Revisions to accounting estimates are recognized in the period in which the estimate is revised.

The areas which require management to make significant estimates, judgments and assumptions in determining carrying values include:

Estimates and assumptions

Share-based payments

The fair value of share-based payments is determined using the Black-Scholes option pricing model based on estimated fair values at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate.

Judgments

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available.

Impairment of exploration and evaluation assets

Recognition of exploration and evaluation property expenditures requires judgment from management in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established, and takes into considerations variables such as long-term commodity prices, exploration potential and extraction costs. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

Acquisition of PPM

Management has determined that the acquisition of all of the outstanding shares of PPM on September 18, 2019 was an asset acquisition for accounting purposes as PPM's Lawyers Property was in the exploration and evaluation stage and had not demonstrated technical feasibility or commercial viability, and its ability to provide economic benefits is uncertain.

Going concern

Assessment of the Company's ability to continue as a going concern requires estimates of future cash flows and includes the consideration of other factors, the outcomes of which are uncertain.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

a) Management estimates and judgments (continued)

Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the amount that is probable to be realized. Assessing the recoverability of deferred tax assets requires management to make significant judgments in connection with future taxable profits. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred tax assets.

b) Cash

Cash is comprised of cash on hand and cash on deposit with the Company's financial institution on which it earns variable amounts of interest.

c) Deferred finance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered to be probable. Share issuance costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to profit or loss.

d) Financial instruments

The classification of a financial asset or liability is determined at the time of initial recognition. The Company does not enter into derivative contracts.

Financial assets

A financial asset is recognized when the Company has the contractual right to collect future cash flows. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial assets are recognized at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost.

Cash and short-term investments are recognized at FVTPL.

Receivables are initially recognized at their fair value, less transaction costs and subsequently carried at amortized cost using the effective interest method less impairment losses.

Financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method. The Company's accounts payable are classified as financial instruments at amortized cost.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of operations.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

d) Financial instruments (continued)

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

In applying this forward-looking approach, the Company separates instruments into the below categories:

1. financial instruments that have not deteriorated significantly since initial recognition or that have low credit risk.
2. financial instruments that have deteriorated significantly since initial recognition and whose credit loss is not low.
3. financial instruments that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

The Company assesses at each reporting date whether there is evidence that a financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that a counter party is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when indicators suggest that there are measurable decreases in the estimated future cash flows.

The Company did not recognize any impairment of financial assets during the year ended February 28, 2021.

e) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss. Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current taxes are determined using tax rates enacted or substantively enacted at the balance sheet date.

Deferred income taxes are recorded using the liability method where by deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the statement of financial position date.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

e) Income taxes (continued)

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to the instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

f) Exploration and evaluation assets

Exploration and evaluation property acquisition costs and exploration costs directly related to specific properties are capitalized as exploration and evaluation assets and are classified as intangible assets, commencing on the date that the Company acquires legal rights to explore a property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. Exploration costs may include costs such as materials used, surveying costs, drilling costs, payments made to contractors, analyzing historical exploration data, geophysical studies, and depreciation on equipment used during the exploration stage. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the capitalized costs of the related property are reclassified as mining assets, which will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Mineral properties are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed the recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of a value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties.

g) Equipment

The cost of an equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and for qualifying assets, the associated borrowing costs. Costs incurred for major overhaul of existing equipment and sustaining capital are capitalized as equipment and are subject to depreciation once they are available for use. Major overhauls include improvement programs that increase the productivity or extend the useful life of an asset beyond that initially envisaged. The costs of routine maintenance and repairs that do not constitute improvement programs are accounted for as a repairs and maintenance.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

g) Equipment (continued)

The carrying amounts of equipment are depreciated to their estimated residual value over the estimated useful lives of the specific assets concerned. Depreciation starts on the date when commissioning is complete, and the asset is ready for its intended use. The major categories of equipment are depreciated at the following useful lives:

Camp equipment	20-30%	Declining balance
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h) Government assistance

British Columbia Mining Exploration tax credits for certain exploration expenditures incurred in B.C. are treated as a reduction of the exploration and development costs of the respective mineral property and are recorded when it is probable the Company will receive the tax credits.

i) Loss per share

Loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding stock options and warrants. In the periods when the Company reports a net loss, the effect of potential issuances of shares under stock options and warrants is anti-dilutive. When diluted earnings per share is calculated, only those stock options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

During the years ended February 28, 2021 and February 29, 2020, all the outstanding stock options and warrants were anti-dilutive as the Company reported a net loss.

j) Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a lease liability and a right-of-use asset at the lease commencement date. The lease liability is initially measured as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

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

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

j) Leases (continued)

The lease liability is subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The right-of-use asset is initially measured at cost, which comprises the following:

- the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use asset is subsequently measured at cost, less any accumulated depreciation in accordance with the Company's accounting policy and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

As at February 28, 2021, the Company did not have any leases over 12 months, and, as a result, has not recognized a lease liability or right-of-use asset.

k) Share-based payments

Share-based payments related to the issuance of stock options to employees and others providing similar services pursuant to the Company's stock option plan, is measured at grant date, for using the fair value method whereby compensation expense is recorded in profit or loss with a corresponding increase to option and warrant reserve in equity. Share-based payments related to warrants and options issued to non-employees are measured at the fair value of the goods or services received using the graded vesting method. When the value of goods or services received in exchange for the share-based payments cannot be reliably estimated, the fair value is measured using the Black-Scholes option pricing model. Consideration paid on the exercise of stock options and warrants is recorded as an increase to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in option and warrant reserve is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options that may not vest.

The Company recognizes share issue costs for the fair value of agents' warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to contributed surplus. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants issued.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

l) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. When some or all of the economic benefits required settling a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount receivable can be measured reliably.

m) Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants.

Depending on the terms and conditions of each financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are accounted for using the residual method, following an allocation of the unit price to the fair value of the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

n) Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("Deferred flow-through liability").

The Company may, from time to time, issue flow-through shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the issuance of a flow-through share, it is bifurcated into equity (share) and liability (flow-through) components on the issue date to the extent that a premium exists. The equity portion is measured at the market value and the residual premium is allocated as a liability. The liability is recorded at the fair value of the obligation to renounce the expenditures that the issuer has incurred. This is effectively the "premium" the investor attributes to a flow-through share versus an ordinary share.

When the expenditures are renounced, the Company reduces the deferred flow-through liability and records a recovery on settlement of flow-through liability. 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.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

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3. Significant accounting policies (continued)

n) Flow-through shares (continued)

Flow-through shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

o) Recent accounting pronouncements

Accounting pronouncements adopted by the Company

During the period, the Company has adopted revisions to certain accounting standards as described below. The adoption of these revisions did not result in any material changes to the consolidated financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements.

IFRS 3 – Business Combinations was amended to assist entities in determining whether an acquired set of activities and assets are considered a business. The amendments to the minimum requirements to be a business, remove the assessment of a market participant’s ability to replace missing elements, narrow the definition of outputs, add guidance to assess whether an acquired process is substantive and introduce an optional concentration test to permit a simplified assessment.

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning on or after March 1, 2021, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company does not anticipate any material changes to the consolidated financial statements upon adoption of these new revised accounting pronouncements.

New accounting standards effective March 1, 2022

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. – 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 – e.g. 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.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

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4. Acquisition of PPM Phoenix Precious Metal Corp. ("PPM")

On August 14, 2019, the parties executed a share exchange agreement (the "Agreement"). The Agreement provides for the transfer of all of PPM's issued and outstanding shares to Benchmark, in exchange for payments of \$250,000 in cash, issuance of 12,000,000 common shares of Benchmark and 0.5% net smelter returns royalty from any production of the Lawyers Property. As a result of this transaction, PPM became a wholly owned subsidiary and Benchmark acquired a 100% interest in the Lawyers' Property.

Due to the fact that the PPM is an exploration stage, with no significant operations, no processes or outputs, and no demonstrated technical feasibility or commercial viability of the project. Consequently, the Company has accounted for its acquisition of PPM as an asset acquisition, whereby acquired assets and liabilities assumed are measured at their fair values at the acquisition date unless they are not readily measurable, in which case the fair value of the share-based payments and other consideration is used. No goodwill is recognized and acquisition-related costs are capitalized to the assets.

The amounts shown below represent relative fair value of net assets on the effective date of the Agreement, which was September 18, 2019.

Purchase consideration:	
Shares issued in exchange for PPM Shares (i)	\$ 4,740,000
Cash	250,000
Other transaction costs (ii)	59,835
	<u>\$ 5,049,835</u>
Assets acquired:	
Other current assets	\$ 2,062
Reclamation bonds	36,082
Mineral interest - Lawyers project (note 4)	5,027,568
	<u>5,065,712</u>
Less: liabilities assumed:	
Accounts payable and accrued liabilities	(15,877)
Total Purchase consideration	<u>\$ 5,049,835</u>

(i) For accounting purposes, the common shares issued were recorded at \$0.395 per common share, representing the Company's share price on the date of issuance.

(ii) In addition to the common shares issued in consideration for the acquisition of PPM, the Company incurred costs totaling \$59,835. These costs were incurred in the process of the acquisition and include fees relating to accounting and legal fees.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

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5. Exploration and evaluation assets

Lawyers Property in British Columbia, Canada

Total costs incurred on the Lawyers Property are summarized as follows:

	Acquisition	Exploration	Total
Balance, February 28, 2019	\$ 525,260	\$ 1,584,914	\$ 2,110,174
Acquisition costs (note 4)	5,027,568	-	5,027,568
Fieldwork	-	727,492	727,492
Geology	-	1,153,105	1,153,105
Drilling	-	1,611,374	1,611,374
Assay	-	476,107	476,107
Amortization	-	6,626	6,626
Permits	-	18,035	18,035
Travel and support	-	962,264	962,264
Community relations	-	30,000	30,000
Reclamation	-	202,000	202,000
Management fees	-	140,500	140,500
Balance, February 29, 2020	5,552,828	6,912,417	12,465,245
Fieldwork	-	5,015,722	5,015,722
Geology	-	404,698	404,698
Drilling	-	13,559,220	13,559,220
Engineering	-	519,357	519,357
Environmental	-	98,082	98,082
Assay	-	3,028,016	3,028,016
Amortization	-	39,978	39,978
Permits	-	11,962	11,962
Travel and support	-	639,890	639,890
Community relations	-	377,402	377,402
Road maintenance	-	968,682	968,682
Reclamation	-	70,000	70,000
Management fees	-	150,750	150,750
Mineral exploration tax credit	-	(1,767,737)	(1,767,737)
Balance, February 28, 2021	\$ 5,552,828	\$ 30,028,439	\$ 35,581,267

On September 18, 2019, the Company acquired 100% ownership of the Lawyers Property through the acquisition of PPM (note 4).

Contwoyto Property and Diamond Permits in Nunavut, Canada

For financial reporting purposes, the Company recorded a write-down of exploration and evaluation assets of \$1,849,414 during the year ended February 29, 2020, as no future exploration expenditures were planned on these projects.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

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6. Share capital

a) Common shares

The Company's articles authorize an unlimited number of Class "A" common shares without par value.

A summary of changes in common share capital in the period is as follows:

	Number of shares	Amount
Balance, February 28, 2019	42,198,020	\$ 8,561,669
Shares issued in private placements	46,097,577	15,653,000
Shares issued for exploration and evaluation assets	12,000,000	4,740,000
Share issuance costs	-	(1,285,397)
Finders warrants issued	-	(510,358)
Flow-through premium liability	-	(1,315,587)
Share issued upon exercise of options	510,000	173,800
Share issued upon exercise of warrants	11,756,469	2,699,719
Balance, February 29, 2020	112,562,066	\$ 28,716,846
Shares issued in private placements	34,697,130	50,267,660
Share issuance costs	-	(3,237,400)
Finders warrants issued	-	(1,452,392)
Flow-through premium liability	-	(4,874,343)
Shares issued upon exercise of warrants	8,371,033	2,404,318
Shares issued upon the exercise of options	2,554,832	1,274,872
Balance, February 28, 2021	158,185,061	\$ 73,099,561

During the year ended February 28, 2021 the Company completed a brokered private placement of 21,645,462 units at \$1.30 (the "Units"), 3,746,628 flow-through A units at \$1.56 (the "FT A Units") and 9,305,040 flow-through B units at \$1.75 (the "FT B Units"), (the Units, FT A Units, and FT B Units, collectively, the "Units") for gross proceeds of \$50,267,660, inclusive of \$1,365,198 in connection with a concurrent non-brokered private placement of 618,152 Units and 360,000 FT A Units. Each Unit consists of one common share of the Company and one-half of a transferable warrant of the Company. Each warrant is exercisable to purchase one additional share at an exercise price of \$1.80 per share until September 30, 2022. The proceeds from the flow-through common shares will be used to incur Qualifying Expenses on the Lawyers Property, British Columbia, and the Company will renounce the Qualifying Expenses to the subscribers. Each subscriber may be entitled to their pro rata share of the flow-through expenses renounced, less any government assistance. The brokered Offering was completed pursuant to an agency agreement dated September 18, 2020 between the Company, Sprott Capital Partners LP as lead agent (the "Lead Agent"), Clarus Securities Inc. and PI Financial Corp. (collectively with the Lead Agent, the "Agents"). The Company paid to the Agents a cash commission of \$2,934,148, a corporate finance advisory fee of \$1,950 and issued to the Agents non-transferable warrants of the Company (the "Compensation Warrants") exercisable to purchase up to 2,024,638 Shares at \$1.30 per Share until September 18, 2022.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

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6. Share capital (continued)

b) Warrants

A summary of share purchase warrant activity in the period is as follows:

	Number of warrants	Weighted average exercise price
Balance, February 28, 2019	18,013,591	\$ 0.23
Issued	18,690,438	0.39
Exercised	(11,756,469)	0.23
Expired	(68,700)	0.54
Balance, February 29, 2020	24,878,860	\$ 0.35
Issued	19,373,202	1.75
Exercised	(8,371,033)	0.26
Expired	(604,610)	0.33
Balance, February 28, 2021	35,276,419	\$ 1.14

As part of the September 18, 2020 private placement, the Company issued 14,075,693 warrants and 1,631,894 finders' warrants. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$1.80 until September 18, 2022. Each finders' warrant entitles the holder to purchase an additional common share at a price of \$1.30 until September 18, 2022. The fair value of finders' warrants granted was \$1,191,283 and was recorded as an offset against share capital.

As part of the September 25, 2020 private placement, the Company issued 1,580,564 warrants and 189,667 finders' warrants. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$1.80 until September 25, 2022. Each finders' warrant entitles the holder to purchase an additional common share at a price of \$1.30 until September 25, 2022. The fair value of finders' warrants granted was \$127,077 and was recorded as an offset against share capital.

As part of the September 30, 2020 private placement, the Company issued 1,692,307 warrants and 203,077 finders' warrants. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$1.80 until September 30, 2022. Each finders' warrant entitles the holder to purchase an additional common share at a price of \$1.30 until September 30, 2022. The fair value of finders' warrants granted was \$134,031 and was recorded as an offset against share capital.

BENCHMARK METALS INC.

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6. Share capital

b) Warrants (continued)

A summary of the warrants outstanding and exercisable is as follows:

February 28, 2021			February 29, 2020		
Exercise Price	Number of warrants	Remaining contractual life (years)	Exercise Price	Number of warrants	Remaining contractual life (years)
\$ -	-	-	\$ 0.225	5,840,744	0.3
-	-	-	0.36	487,053	0.3
-	-	-	0.25	132,000	0.6
-	-	-	0.22	288,829	0.2
0.40	8,101,835	0.6	0.40	9,166,667	1.6
0.30	672,204	0.6	0.30	1,306,500	1.6
0.40	6,355,000	0.8	0.40	6,836,667	1.8
0.45	774,178	0.8	0.45	820,400	1.8
1.30	2,024,638	1.6	-	-	-
1.80	17,348,564	1.6	-	-	-
\$ 1.14	35,276,419	1.2	\$ 0.35	24,878,860	1.3

c) Stock options

Pursuant to the Company's stock option plan (the "Plan") for directors, officers, employees, and consultants, the Company may reserve a maximum of 10% of the issued and outstanding listed common shares; the exercise price to be determined on the date of issuance of the options.

The options are non-transferable and will expire, if not exercised, 90 days following the date the optionee ceases to be a director, officer, consultant or employee of the Company for reasons other than death, one year after the death of an optionee or on the fifth anniversary of the date the option was granted. All options vest when granted unless otherwise specified by the Board of Directors.

A summary of stock option activity in the period is as follows:

	Number of options	Weighted average exercise price
Outstanding options, February 28, 2019	4,094,998	\$ 0.23
Issued	350,000	0.26
Cancelled	(120,000)	0.19
Exercised	(510,000)	0.18
Expired	(250,000)	0.18
Outstanding options, February 29, 2020	3,564,998	\$ 0.24
Issued	9,550,000	0.48
Exercised	(2,554,832)	0.31
Outstanding options, February 28, 2021	10,560,166	\$ 0.44
Exercisable options, February 28, 2021	10,222,666	\$ 0.44

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

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6. Share capital (continued)

c) Stock options (continued)

On April 14, 2020, the Company granted incentive stock options, for the option to purchase up to 6,850,000 common shares. The options are exercisable at a price of \$0.30-\$0.34 cents per common share, for a period of one to five years. The estimated fair value of these options of \$1,755,000, or \$0.13-40.26 per option, has been recorded as share-based payment expense in the year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.32; expected life, 1-5 years; expected volatility, 101-114%; risk-free rate 0.55%; expected dividends, 0%.

On June 24, 2020, the Company granted incentive stock options, for the option to purchase up to 1,000,000 common shares. The options are exercisable at a price of \$0.34 cents per common share, for a period of one year. The estimated fair value of these options of \$200,000, or \$0.20 per option, has been recorded as share-based payment expense in the year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.46; expected life, 1 year; expected volatility, 90%; risk-free rate 0.27%; expected dividends, 0%.

On November 24, 2020, the Company granted incentive stock options, for the option to purchase up to 500,000 common shares. The options are exercisable at a price of \$1.30 cents per common share, for a period of one year. The estimated fair value of these options of \$135,000, or \$0.27 per option, has been recorded as share-based payment expense in the year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$0.95; expected life, 1 year; expected volatility, 99%; risk-free rate 0.21%; expected dividends, 0%.

On January 28, 2021, the Company granted incentive stock options, for the option to purchase up to 1,200,000 common shares. The options are exercisable at a price of \$1.30 cents per common share, for a period of five years. The estimated fair value of these options of \$1,068,000, or \$0.89 per option, has been recorded as share-based payment expense in the year and as an increase to option and warrant reserve, and was calculated using the Black-Scholes Option Pricing Model using the following grant-date assumptions: grant date stock price \$1.06; expected life, 5 years; expected volatility, 130%; risk-free rate 0.41%; expected dividends, 0%.

A summary of the options outstanding is as follows:

February 28, 2021			February 29, 2020		
Exercise Price	Number of options	Remaining contractual life (years)	Exercise Price	Number of options	Remaining contractual life (years)
\$ -	-	-	\$ 0.33	633,332	0.9
0.435	16,666	0.7	0.435	16,666	1.7
0.30	703,000	2.0	0.30	765,000	3.0
0.16	1,100,000	2.4	0.16	1,200,000	3.4
0.20	538,000	2.8	0.20	600,000	3.8
-	-	-	0.25	250,000	4.4
0.30	100,000	3.4	0.30	100,000	4.4
0.30	6,315,000	4.1	-	-	-
0.30	87,500	0.1	-	-	-
1.30	500,000	0.8	-	-	-
1.30	1,200,000	4.9	-	-	-
\$ 0.44	10,560,166	3.6	\$ 0.24	3,564,998	3.0

BENCHMARK METALS INC.

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7. Financial instruments and risk management

The Company is exposed to the following financial risks:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: currency risk, interest rate risk, commodity price risk.

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. As at February 28, 2021, the Company's financial assets and liabilities are denominated in Canadian dollars. Management has assessed that the Company's current exposure to currency risk is low.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with Canadian financial institutions. The Company considers this risk to be minimal.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

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7. Financial instruments and risk management (continued)

Commodity price risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. As at February 28, 2021, the Company's maximum exposure to credit risk is \$34,131,748. Substantially all of the Company's cash is held with one financial institution in Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of its existing debt and other payables. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review and communication to the Board. As at February 28, 2021, the Company's contractual undiscounted cash flow requirements for financial liabilities consisting of accounts payable and accrued liabilities of \$1,213,766 are due within one year.

Determination of fair value

The statement of financial position carrying amounts for cash and accounts payable approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments. Financial assets and liabilities measured at fair value are grouped into three Levels or a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: unobservable inputs for the asset or liability.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

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7. Financial instruments and risk management (continued)

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

As at February 28, 2021:				
Asset:	Level 1	Level 2	Level 3	Total
Cash	\$ 34,121,748	-	-	\$ 34,121,748
Short-term investment	10,000	-	-	\$ 10,000

As at February 29, 2020:				
Asset:	Level 1	Level 2	Level 3	Total
Cash	\$ 10,171,024	-	-	\$ 10,171,024
Short-term investment	10,000	-	-	\$ 10,000

8. Equipment

	Camp equipment
Balance, February 28, 2019	\$ -
Additions	110,852
Depreciation	(6,626)
Balance, February 29, 2020	104,226
Additions	148,286
Depreciation	(39,978)
Balance, February 28, 2021	\$ 212,534

During the year ended February 28, 2021, the Company capitalized \$39,978 (2020 - \$6,626) in depreciation to mineral properties.

9. Related party transactions and balances

Unless otherwise noted, related party transactions were incurred in the normal course of operations and are measured at the amount established and agreed upon by the related parties. The Company incurred and paid fees to directors and officers for management and professional services as follows:

For the years ended	February 28, 2021	February 29, 2020
Management fees paid to companies controlled by directors, officers, and former officers	\$ 378,750	\$ 374,500
Management fees paid to companies controlled by directors, officers - capitalized to exploration and evaluation assets	128,250	140,500
Share-based payments	884,000	-
	\$ 1,391,000	\$ 515,000

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9. Related party transactions (continued)

Key management compensation

Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer. The remuneration of key management personnel is summarized below:

For the years ended	February 28, 2021	February 29, 2020
Short term benefits	\$ 507,000	\$ 515,000
Share-based payments	884,000	-
	\$ 1,391,000	\$ 515,000

At February 28, 2021, accounts payable and accrued liabilities include \$888 (2020 - \$5,673) due to key management, directors of the Company and companies controlled by management or directors for services provided. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

10. Income taxes

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	February 28, 2021	February 29, 2020
Combined statutory tax rate	27.00%	27.00%
Income tax recovery at combined statutory rate	\$ (397,093)	\$ (1,038,873)
Permanent differences and other	4,556,962	1,039,155
Tax benefits not recognized	(868,184)	(282)
Provision for income taxes	\$ 3,291,685	\$ -

Significant components of the Company's deferred tax liabilities and unrecognized deferred tax assets are as follows:

	February 28, 2021		February 29, 2020	
	Temporary difference	DIT asset (liability)	Temporary difference	DIT asset (liability)
Non-capital loss carry forwards	\$ 9,607,164	\$ 2,593,934	\$ 6,458,405	\$ 1,743,769
Flow-through liability	2,144,711	579,072	-	-
Share issuance costs	3,554,702	959,770	1,282,481	346,270
Exploration and evaluation assets	(27,816,607)	(7,510,484)	(4,734,013)	(1,278,184)
Capital assets	46,603	12,583	6,626	1,789
Decommissioning liabilities	272,000	73,440	202,000	54,540
Total gross deferred income tax assets (liability)	(12,191,427)	(3,291,685)	3,215,499	868,184
Less: unrecognized deferred income liability	-	-	(3,215,499)	(868,184)
Total deferred income tax liability	\$ (12,191,427)	\$ (3,291,685)	\$ -	\$ -

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Notes to the Consolidated Financial Statements

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10. Income taxes (continued)

As at February 29, 2021, the Company had approximately \$9,607,000 (2020 - \$6,458,000) non-capital loss carry forwards available to reduce taxable income for future years. These losses expire as follows:

February 28, 2031	\$ 11,000
February 28, 2032	98,000
February 28, 2033	192,000
February 28, 2034	97,000
February 28, 2035	434,000
February 29, 2036	215,000
February 29, 2037	673,000
February 28, 2038	613,000
February 28, 2039	1,652,000
February 28, 2040	2,480,000
February 28, 2041	3,142,000
	<u>\$ 9,607,000</u>

11. Flow-through premium liability

During the year ended February 29, 2020, the Company issued 27,764,243 flow-through shares for gross proceeds of \$10,153,000 and recognized a deferred flow-through premium of \$1,315,588, noncash, as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. As at August 31, 2020, the Company incurred \$10,153,000 of required eligible exploration expenditures relating to these flow-through shares. As a result, the remaining balance of \$1,101,027 in connection with the settlement of the flow-through liability was recognized in other income.

During the year ended February 28, 2021, the Company issued 13,051,668 flow-through shares for gross proceeds of \$22,128,560 and recognized a deferred flow-through premium of \$4,874,343, noncash, as the difference between the amounts recognized in common shares and the amounts the investors paid for the units. As at February 28, 2021, the Company incurred \$12,416,419 of required eligible exploration expenditures relating to these flow-through shares. As a result, the amount of \$2,729,632 in connection with the settlement of the flow-through liability was recognized in other income.

12. Asset retirement obligation and reclamation bonds

As at February 28, 2021, the Company recognized an asset retirement obligation in the amount of \$272,000 (2020 - \$202,000) in connection with its Lawyers Property (note 4). In order to obtain a mineral exploration permit, the Company was required to place a total of \$272,000 in reclamation bonds with the Ministry of Energy, Mines and Petroleum Resources of the Province of British Columbia.

BENCHMARK METALS INC.

Notes to the Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020

Expressed in Canadian Dollars

13. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and development of various businesses. The Company does not have any externally imposed capital requirements to which it is subject.

As at February 28, 2021, the Company considers the aggregate of its share capital, reserves and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash on hand.

14. Subsequent events

Subsequent to year end, the Company received gross proceeds of \$221,158 resulting from the exercise of 553,435 warrants.

Subsequent to the year end, the Company received gross proceeds of \$118,250 from the exercise of 627,500 options.

Subsequent to the year end, the Company granted options to acquire up to an aggregate 250,000 common shares at an exercise price of \$1.50.

Subsequent to the year end, the Company granted options to acquire up to an aggregate 4,630,000 common shares at an exercise price of \$1.15.