



QUESTEX GOLD & COPPER LTD.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2021

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian dollars)

	Note	December 31, 2021	March 31, 2021
		\$	\$
ASSETS			
Current			
Cash	3	3,004,712	1,208,319
Restricted cash	3	3,638,034	594,294
Receivables		216,801	81,892
Prepaid expenses and deposits		129,402	83,221
Marketable securities	4	311,801	411,361
Right-of-use asset	7	26,474	-
Net investment in sublease	7	15,354	28,942
		7,342,578	2,408,029
Non-Current			
Net investment in sublease	7	-	7,792
Reclamation deposits	5	201,353	167,000
Equipment	6	12,438	16,952
Right-of-use asset	7	-	20,838
Exploration and evaluation assets	8	7,148,483	6,448,483
		14,704,852	9,069,094
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9	114,714	227,738
Flow-through share premium liability	10	1,001,757	304,690
Lease liability	7	45,514	56,406
		1,161,985	588,834
Non-Current			
Lease liability	7	-	9,252
		1,161,985	598,086
EQUITY			
Share capital	11	58,585,163	49,386,228
Share-based payments reserve		1,891,028	1,424,634
Deficit		(46,933,324)	(42,339,854)
		13,542,867	8,471,008
		14,704,852	9,069,094

Nature of Operations and Going Concern (Note 1)

Approved on behalf of the Board:

"Cecil Bond", Director

"Joseph Mullin", Director

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended December 31,		Nine months ended December 31,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Expenses					
Consulting	16(a)	68,513	79,081	207,408	251,718
Depreciation - equipment	6	1,510	873	4,514	4,400
Depreciation - right-of-use asset	7	10,120	9,838	30,081	24,561
Exploration expenditures	12	240,555	131,116	4,455,967	842,366
Interest on lease liability	7	1,472	2,858	5,315	9,384
Investor relations		208,016	7,659	382,952	98,595
Office and administration	16(a)	29,784	52,611	148,014	106,623
Professional fees		15,403	24,399	46,923	65,372
Salaries and benefits	16(a)	66,971	80,420	202,495	132,002
Share-based payments expense	11(e), 16(a)	219,162	139,331	858,646	374,059
Transfer agent, regulatory and filing fees		10,561	5,006	33,816	18,833
Travel and accommodation		23,575	27,407	54,762	38,370
		895,642	560,599	6,430,893	1,966,283
Other Items					
Accretion on sublease	7	(608)	(1,434)	(2,465)	(4,871)
Foreign exchange gain (loss)		4,408	(1,023)	8,894	(11,319)
Gain on disposal of exploration and evaluation assets	8(g)	-	(453,500)	-	(453,500)
Interest and miscellaneous income		(4,941)	(10,049)	(29,907)	(21,480)
FT share premium recovery	10	(67,381)	(68,663)	(1,387,426)	(207,054)
Write-off of cash in subsidiary	3	-	-	-	28,388
Unrealized loss (gain) on marketable securities	4	72,039	(144,580)	99,560	(188,820)
		3,517	(679,249)	(1,311,344)	(858,656)
Income (loss) and comprehensive income (loss) for the period		(899,159)	118,650	(5,119,549)	(1,107,627)
Basic and diluted loss per share		\$ (0.02)	\$ 0.00	\$ (0.13)	\$ (0.05)
Basic and diluted weighted average number of shares outstanding		40,245,861	23,826,791	39,046,397	22,051,247

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(Unaudited - Expressed in Canadian dollars)

	Note	Number of shares	Share capital \$	Share-based payments reserve \$	Deficit \$	Total \$
Balance, March 31, 2020		21,117,094	47,173,446	1,117,714	(40,826,203)	7,464,957
Net loss for the period		-	-	-	(1,107,627)	(1,107,627)
Private placements, net of share issue costs	11(b)	2,533,535	1,713,062	9,220	-	1,722,282
Shares issued for mineral property option payment	13	900,397	499,720	-	-	499,720
Share-based payments expense	11(e)	-	-	374,059	-	374,059
Reclass of expired or forfeited stock options and warrants	11(c)	-	-	(67,444)	67,444	-
Balance, December 31, 2020		24,551,026	49,386,228	1,433,549	(41,866,386)	8,953,391
Net loss for the period		-	-	-	(608,232)	(608,232)
Share-based payments expense		-	-	125,849	-	125,849
Reclass of expired or forfeited stock options and warrants		-	-	(134,764)	134,764	-
Balance, March 31, 2021		24,551,026	49,386,228	1,424,634	(42,339,854)	8,471,008
Net loss for the period		-	-	-	(5,119,549)	(5,119,549)
Private placement, net of share issue costs	11(b)	15,043,212	10,583,428	133,827	-	10,717,255
Flow-through share premium liability	10	-	(2,084,493)	-	-	(2,084,493)
Shares issued for mineral property option payment	8(d), 13	881,612	700,000	-	-	700,000
Share-based payments expense	11(e)	-	-	858,646	-	858,646
Reclass of expired or forfeited stock options	11(c)	-	-	(526,079)	526,079	-
Balance, December 31, 2021		40,475,850	58,585,163	1,891,028	(46,933,324)	13,542,867

QUESTEX GOLD & COPPER LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31
(Unaudited - Expressed in Canadian dollars)

	Note	Three months ended December 31,		Nine months ended December 31,	
		2021	2020	2021	2020
Operating Activities					
Net loss for the period		(899,159)	118,650	(5,119,549)	(1,107,627)
Items not involving cash:					
Depreciation - equipment	6	1,510	873	4,514	4,400
Depreciation - right-of-use asset	7	10,120	9,838	30,081	24,561
Gain on disposal of exploration and evaluation assets	8(g)	-	(453,500)	-	(453,500)
Interest on lease liability	7	1,472	2,858	5,315	9,384
Accretion on sublease	7	(608)	(1,434)	(2,465)	(4,871)
Sublease amortization	7	7,948	11,384	23,845	23,843
Share-based payments expense	11(e)	219,162	139,331	858,646	374,059
FT share premium recovery	10	(67,381)	(68,663)	(1,387,426)	(207,054)
Unrealized loss (gain) on marketable securities	4	72,039	(144,580)	99,560	(188,820)
		(654,897)	(385,243)	(5,487,479)	(1,525,625)
Net change in non-cash working capital	13	(484,172)	(255,478)	(294,114)	(198,741)
Cash used in operating activities		(1,139,069)	(640,721)	(5,781,593)	(1,724,366)
Investing Activities					
Cash received on disposition of exploration and evaluation assets	8(g)	-	100,000	-	100,000
Purchase of reclamation bonds	5	-	-	(34,353)	-
Purchase of equipment		-	-	-	(8,335)
Cash provided by (used in) investing activities		-	100,000	(34,353)	91,665
Financing Activities					
Lease liability payments	7	(20,492)	(23,629)	(61,176)	(55,299)
Proceeds pursuant to private placement	11(b)	-	-	11,110,420	1,773,475
Share issue costs	11(b)	-	(48,519)	(393,165)	(59,944)
Cash provided by (used in) financing activities		(20,492)	(72,148)	10,656,079	1,658,232
Net increase (decrease) in cash		(1,159,561)	(612,869)	4,840,133	25,531
Cash, beginning of period		7,802,307	2,833,914	1,802,613	2,195,514
Cash, end of period		6,642,746	2,221,045	6,642,746	2,221,045
Cash and restricted cash is comprised of:					
Cash		3,004,712	101,796	3,004,712	101,796
Cash equivalents		-	1,323,000	-	1,323,000
Restricted cash		3,638,034	796,249	3,638,034	796,249
		6,642,746	2,221,045	6,642,746	2,221,045
Supplemental cash flow information	13				

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2021
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

QuestEx Gold & Copper Ltd. (“**QuestEx**” or the “**Company**”), formerly Colorado Resources Ltd. was incorporated on October 9, 2009 under the Business Corporations Act (British Columbia). On September 28, 2020, the Company changed its name from Colorado Resources Ltd. to QuestEx Gold & Copper Ltd. The Company is in the exploration stage and its principal business activities include the acquisition, exploration and development of mineral properties. The Company’s principal properties are located in British Columbia (“**BC**”).

The Company is listed on the TSX Venture Exchange (the “**TSX-V**”), having the symbol QEX.V as a Tier 1 issuer and its corporate office and principal place of business are located at Suite 500 – 666 Burrard Street, Vancouver, BC V6C 3P6.

Effective August 21, 2020, the Company consolidated its common shares on the basis of one post-consolidated common share for every ten pre-consolidated common shares held. The 211,170,915 pre-consolidated common shares issued and outstanding were adjusted to 21,117,091 post-consolidated common shares. As required by International Accounting Standards (“IAS”) 33 *Earnings per Share*, all references to share capital, common shares outstanding, warrants outstanding, options outstanding and per share amounts in these consolidated financial statements and these accompanying notes for time periods prior to the share consolidation have been restated to reflect the one-for-ten share consolidation.

The Company has not generated revenues from its operations to date. The Company incurred a net loss of \$5,119,549 during the nine months ended December 31, 2021 and, as of that date, the Company’s accumulated deficit was \$46,933,324. The Company had working capital of \$6,180,593 at December 31, 2021 of which \$3,615,034 was restricted cash as a result of flow-through expenditure requirements (Note 10) and \$23,000 was restricted cash related to collateral for the Company’s credit card (Note 3). These conditions indicate the existence of material uncertainties, which may cast significant doubt on the Company’s ability to continue as a going concern. The Company will continue to have to raise funds beyond its current working capital balance in order to continue the development of its exploration properties and general operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

No adjustments have been made to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. The Company has financed its operations to date primarily through the issuance of common shares.

Since March 2020, COVID-19 (the coronavirus) has caused volatility in the global financial markets. While the full impact of COVID-19 on the global economy is uncertain, rapid spread of COVID-19 may have an adverse effect on the Company’s financing capabilities. The extent to which COVID-19 may impact the Company’s business will depend on future developments such as the geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing, business closures or business disruptions, and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease. It is not possible to reliably estimate the length or severity of these developments and their potential financial impact on these condensed consolidated interim financial statements.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2021
(Unaudited - Expressed in Canadian dollars)

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (“**IAS 34**”) as issued by the International Accounting Standards Board (“**IASB**”) using accounting principles consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the IASB.

These condensed consolidated interim financial statements have been prepared using the accounting policies as set out in the audited annual financial statements for the year ended March 31, 2021. The disclosures which follow do not include all disclosures required for the annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereon for the year ended March 31, 2021.

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Board of Directors (the “**Board**”) approved these condensed consolidated interim financial statements on February 24, 2022.

These condensed consolidated interim financial statements are presented in Canadian Dollars, which is the functional currency of the Company and its subsidiaries.

3. CASH AND RESTRICTED CASH

Cash at banks earn interest at floating rates based on daily bank deposit rates. Restricted cash relates to the portion of proceeds received on issuance of FT shares received but not yet spent at the end of the reporting period, as well as \$23,000 as collateral for the Company’s credit card.

During the nine months ended December 31, 2020, \$28,388 of cash held in the Company’s dormant wholly-owned Mexican subsidiary Colorado Gold S.A. de C.V. was written off due to uncertainty of recovery.

4. MARKETABLE SECURITIES

At December 31, 2021, marketable securities consisted of an investment of 1,264,000 (March 31, 2021: 1,264,000) common shares of Damara Gold Corp. (“**Damara**”) and 350,000 (March 31, 2021: 350,000) common shares of Fireweed Zinc Ltd. (“**Fireweed**”). The Company’s marketable securities are measured at fair value through profit or loss (“**FVTPL**”). The fair value of the marketable securities has been determined by reference to published price quotations in an active market, a Level 1 valuation.

A summary of the changes in FVTPL investments is presented below:

	\$
Balance, March 31, 2021	411,361
Unrealized loss on marketable securities	<u>(99,560)</u>
Balance, December 31, 2021	<u><u>311,801</u></u>

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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5. RECLAMATION DEPOSITS

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company on its North ROK, Coyote, KSP, Kingpin, Castle/Moat, Sofia, Hit and Heart Peaks properties. The reclamation deposits are held with the Ministry of Energy and Mines in BC or with the Company's financial institution through safe-keeping agreements. At December 31, 2021, reclamation bonds included guaranteed investment certificates with maturity dates ranging from February 16, 2022 to November 24, 2022.

6. EQUIPMENT

A summary of the changes in equipment is presented below:

	Office equipment \$
Cost	
Balance, March 31, 2021	19,972
Additions	<u>-</u>
Balance, December 31, 2021	<u>19,972</u>
Accumulated Depreciation	
Balance, March 31, 2021	3,020
Depreciation for the period	<u>4,514</u>
Balance, December 31, 2021	<u>7,534</u>
Carrying Amount	
Balance, March 31, 2021	<u>16,952</u>
Balance, December 31, 2021	<u>12,438</u>

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY

On transition to IFRS 16, the Company had a lease agreement for its office space in Kelowna, BC. Effective January 1, 2020, the Kelowna office was subleased by the Company. The Company classified the sublease as a finance lease and derecognized the ROU asset in respect of the sublease, for which a net investment in sublease of \$68,375 was recorded. The lease term and corresponding sublease term both end on June 30, 2022.

The Company has a lease agreement for office space in Vancouver, BC. The ROU asset for the Vancouver office is being amortized on a straight-line basis until the end of the lease term of September 2022.

The Company has a lease agreement for office space in Richmond, BC. The ROU asset for the Richmond office is being amortized on a straight-line basis until the end of the lease term of June 2022.

The annual incremental borrowing rate used to calculate the ROU asset and lease liability is 12%.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2021
(Unaudited - Expressed in Canadian dollars)

7. RIGHT-OF-USE ASSET AND LEASE LIABILITY (continued)

The continuity of the ROU asset, lease liability and investment in sublease is as follows:

Right-of-use assets	\$
Value of ROU asset as at March 31, 2021	20,838
Addition of ROU asset during the period	35,717
Depreciation	<u>(30,081)</u>
Value of ROU asset as at December 31, 2021	<u><u>26,474</u></u>
Lease liability	\$
Lease liability recognized as of March 31, 2021	65,658
Addition to lease liability during the period	35,717
Interest on lease liability, net	5,315
Lease payments	<u>(61,176)</u>
Lease liability recognized as of December 31, 2021	<u><u>45,514</u></u>
Current portion	45,514
Non-current portion	<u>-</u>
	<u><u>45,514</u></u>
Investment in Sublease	\$
Value of investment in sublease as at March 31, 2021	36,734
Sub-lease amortization	(23,845)
Accretion on sub-lease	<u>2,465</u>
Value of investment in sublease as at December 31, 2021	<u><u>15,354</u></u>
Current portion	15,354
Non-current portion	<u>-</u>
	<u><u>15,354</u></u>
The future minimum lease payments as of December 31, 2021 were as follows:	
Year ending March 31	\$
2022	29,521
2023	<u>26,586</u>
	56,107
Less: common area maintenance excluded from ROU asset	(9,028)
Less: amount representing interest payments	<u>(1,565)</u>
Present value of net minimum lease payments	<u><u>45,514</u></u>

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2021
(Unaudited - Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS

A summary of the changes in exploration and evaluation assets is presented below:

	North ROK	Coyote	KSP	KingPin	Castle	Sofia	Total
	\$	\$	\$	\$	\$	\$	\$
Balance, March 31, 2021	590,966	58,447	2,389,056	137,013	2,140,958	1,132,043	6,448,483
Issuance of shares	-	-	-	-	700,000	-	700,000
Balance, December 31, 2021	590,966	58,447	2,389,056	137,013	2,840,958	1,132,043	7,148,483

BRITISH COLUMBIA

a) KSP Property

QuestEx holds a 100% interest in the KSP property located to the southeast of the Snip Mine, BC. The KSP property is subject to various net smelter return (“NSR”) royalties, portions of which can be repurchased.

b) North ROK Property

QuestEx holds a 100% interest in the North ROK property located approximately 65 kilometres (“km”) south of Dease Lake and straddles Highway 37 approximately 15 km northwest of Imperial Metals’ and Newcrest Mining’s Red Chris mine in northern BC. The North ROK property is subject to a 2% NSR royalty which can be repurchased in its entirety.

c) Coyote Property

QuestEx holds a 100% interest in the Coyote property which is located south of the North ROK property approximately 75 km south of Dease Lake on the east side of Highway 37 approximately 10 km northwest of Imperial Metals’ and Newcrest Mining’s Red Chris mine in northern BC. The Coyote property is subject to various NSRs, a portion of which can be repurchased.

d) Castle/Moat Property

QuestEx holds a 100% interest (subject to certain NSR royalties) in the Castle property located in the Liard Mining District of BC. The Company has the option to purchase the NSR royalties in their entirety.

On August 20, 2019, the Company acquired a property option agreement (the “**Moat Option Agreement**”) as part of its acquisition of Buckingham Copper Corp. During the nine months ended December 31, 2021, the Company fulfilled its obligations under the Moat Option Agreement by making a final payment to the vendors by issuing 881,612 common shares of the Company valued at \$700,000. As a result, the Company now owns a 100% interest in the Moat property.

The Moat property adjoins the Castle property to the east and southeast and has become part of Castle for exploration work and reporting purposes.

e) KingPin Property

The Company holds a 100% interest in several mineral claims located in the Golden Triangle area in northwest BC. The KingPin property is subject to various NSRs, portions of which can be repurchased.

QUESTEX GOLD & COPPER LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2021
(Unaudited - Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

f) Sofia Property

The Company holds a 100% interest in a group of mining claims in the Toadoggone mining district of Northeast BC. The Sofia property is subject to a 2% NSR, a portion of which can be repurchased.

g) Other

Other properties in which the Company owns a 100% interest include the Heart Peaks property northwest of Dease Lake and the Hit property in the Aspen Grove district of southern BC. As at December 31, 2021, these properties had a carrying value of \$Nil.

Sale of Other Properties

In December 2020, the Company completed the sale of its portfolio of mineral properties in Yukon's Macmillan Pass district to Fireweed Zinc Ltd. ("**Fireweed**"), which consisted of a 100% interest in four properties totaling approximately 72 square km. QuestEx retained a 0.5% NSR royalty for base metals and silver, and a 2% NSR royalty for gold on each of the properties. In consideration, QuestEx received 350,000 common shares of Fireweed, valued at \$1.01 per share for a total of \$353,500, plus a cash payment of \$100,000.

The common shares are considered FVTPL and were included in marketable securities at December 31, 2020. As a result of these properties having a capitalized value of \$Nil, the total amount of \$453,500 was recorded as a gain on disposal of assets.

In connection with the sale, the Company's President and CEO each earned bonuses of \$6,855.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following amounts:

	December 31, 2021	March 31, 2021
	\$	\$
Accounts payable	63,008	112,233
Accrued liabilities	29,356	86,855
Due to related parties (Note 16(b))	22,350	28,650
	<u>114,714</u>	<u>227,738</u>

During the year ended March 31, 2021, the Company applied for the COVID-19 Relief Line of Credit through the Government sponsored Canada Emergency Business Account. On June 5, 2020, the Company received the amount of \$40,000. On January 1, 2021, this operating line of credit was converted to a 2-year 0% interest term loan, to be repaid by December 31, 2022 with \$10,000 of the loan being forgiven if \$30,000 is repaid in full on or before December 31, 2022. In September 2021, the Company repaid the \$30,000, thereby removing it from accounts payable and accrued liabilities.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2021
(Unaudited - Expressed in Canadian dollars)

10. FLOW-THROUGH SHARE PREMIUM LIABILITY

A summary of the changes in the Company's flow-through share premium liability was as follows:

	\$
Balance, March 31, 2021	304,690
Flow-through share premium liability on the issuance of flow-through common shares	2,084,493
Settlement of flow-through share premium liability pursuant to incurring qualified expenditures	<u>(1,387,426)</u>
Balance, December 31, 2021	<u>1,001,757</u>

As at December 31, 2021, an amount of \$3,615,034 in qualifying Canadian exploration expenditures remained to be spent pursuant to a private placement of FT shares that was completed on April 16, 2021. The amount must be spent by December 31, 2022.

11. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value

b) Share issuance details

Nine months ended December 31, 2021

- On April 16, 2021, the Company completed a non-brokered private placement, issuing a total of 15,043,212 common shares of the Company for gross proceeds of \$11,110,420. The private placement was comprised of 9,063,014 flow-through ("FT") common shares at a price of \$0.83 per FT share for gross proceeds of \$7,522,302 and 5,980,198 non-FT ("NFT") common shares at a price of \$0.60 per NFT share for gross proceeds of \$3,588,119.

Skeena Resources Limited acquired a total of 5,547,142 common shares under the private placement, representing a 14.01% equity interest in the Company on a non-diluted basis. Newmont Corporation acquired a total of 2,425,790 common shares under the private placement to maintain its 16.13% equity interest in the Company.

Share issue costs totaled \$526,992 including cash fees of \$282,800 paid to arm's-length finders and financial advisors as well as the issuance of 253,000 warrants valued at \$133,827, with each warrant entitling the holder to purchase one common share of the Company at a price of \$0.75 per share until April 15, 2023.

As a result of the Company issuing FT shares at a premium to NFT shares, the Company allocated \$5,437,809 of the gross proceeds to share capital and the remaining \$2,084,493 to FT share premium liability (Note 10).

- In October 2021, the Company issued 881,612 common shares valued at \$700,000 pursuant to the Moat Option Agreement.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2021
(Unaudited - Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

b) Share issuance details (continued)

Nine months ended December 31, 2020

- On September 28, 2020, the Company completed a non-brokered private placement, issuing 2,533,535 units (the “Units”) at an issue price of \$0.70 for gross proceeds of \$1,773,475. Each Unit consisted of one common share of the Company and one-half of one share purchase warrant with each whole warrant entitling the holder to acquire an additional common share of the Company at an exercise price of \$1.00 per share, with an expiry of September 28, 2022.

In connection with the private placement, share issue costs totaled \$67,685 consisting of cash fees of \$47,040 earned by finders, 31,200 finder warrants with a fair value of \$9,220 and having the same terms as those in the private placement; and regulatory fees of \$11,425.

- In September 2020, the Company issued 900,397 common shares valued at \$499,720 pursuant to the Moat Option Agreement.

c) Stock options

The Company has a 10% rolling stock option plan, whereby it can grant stock options to directors, officers, employees and consultants of up to an aggregate maximum of 10% of the common shares outstanding. The exercise price, term and vesting period of each option are determined by the Board within regulatory guidelines.

A summary of the changes in stock options is presented below:

	Number of options	Weighted average exercise price
		\$
Balance, March 31, 2021	1,796,130	1.12
Granted	1,585,000	0.94
Forfeited	(732,500)	1.10
Expired	(10,000)	4.40
Balance, December 31, 2021	<u>2,638,630</u>	<u>1.01</u>

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11. SHARE CAPITAL (continued)

The following stock options were outstanding as at December 31, 2021:

Outstanding	Exercisable	Weighted average Exercise Price	Expiry Date	Weighted average remaining life (in years)	
		\$			
50,000	25,000	1.19	March 20, 2022	0.22	
35,000	35,000	2.60	June 6, 2022	0.43	
352,500	352,500	1.20	September 5, 2024	2.68	
31,000	25,188	0.90	April 1, 2025	3.25	
80,000	80,000	0.90	June 29, 2025	3.50	
815,130	1	611,348	1.00	September 28, 2025	3.75
1,025,000	2	256,250	0.96	April 15, 2026	4.29
100,000	25,000	0.80	September 15, 2026	4.71	
150,000	37,500	0.70	December 21, 2026	4.98	
<u>2,638,630</u>	<u>1,447,785</u>	<u>1.01</u>		<u>3.80</u>	

1 Subsequent to December 31, 2021, 83,454 stock options with an exercise price of \$1.00 were cancelled.

2 Subsequent to December 31, 2021, 100,000 stock options with an exercise price of \$0.96 were cancelled.

During the nine months ended December 31, 2021, the Company reclassified \$526,079 (2020: \$67,444) from share-based payments reserve to deficit with respect to options or share purchase warrants that expired or were cancelled during the period.

d) Share purchase warrants

A summary of the changes in share purchase warrants is presented below:

	Number of warrants	Weighted average exercise price
		\$
Balance, March 31, 2021	4,107,057	1.17
Finder warrants issued pursuant to private placement	253,000	0.75
Balance, December 31, 2021	<u>4,360,057</u>	<u>1.15</u>

The following share purchase warrants were outstanding as at December 31, 2021:

Outstanding	Exercisable	Exercise Price	Expiry Date
		\$	
1,650,180	1,650,180	1.20	August 20, 2022
812,427	812,427	1.50	August 20, 2022
1,297,967	1,297,967	1.00	September 28, 2022
346,483	346,483	0.90	March 31, 2023
253,000	253,000	0.75	April 15, 2023
<u>4,360,057</u>	<u>4,360,057</u>		

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11. SHARE CAPITAL (continued)

d) Share purchase warrants (continued)

The fair value of the 253,000 finder warrants issued pursuant to the April 16, 2021 private placement (Note 11(b)) was determined using the Black-Scholes option pricing model ("**Black-Scholes Model**") with the following weighted average assumptions:

Market price of shares	\$0.94
Exercise price	\$0.75
Risk-free interest rate	0.30%
Expected stock price volatility	97%
Expected dividend yield	0.0%
Expected life in years	2.0
Fair value	\$0.53

The fair value of the 31,200 finder warrants issued pursuant to the September 28, 2020 private placement (Note 11(b)) was determined using the Black-Scholes Model with the following weighted average assumptions:

Market price of shares	\$0.70
Exercise price	\$1.00
Risk-free interest rate	0.23%
Expected stock price volatility	97%
Expected dividend yield	0.0%
Expected life in years	2.0
Fair value	\$0.30

e) Share-based payments expense

The share-based payments expense for the nine months ended December 31, 2021 was \$858,646 (2020: \$374,059).

The weighted average fair value at grant date of options granted during the nine months ended September 30, 2021 was \$0.64 per option (2020: \$0.37).

The fair value of the stock options that were granted during the nine months ended December 31, 2021 and 2020 was calculated using the Black-Scholes Model with the following weighted average assumptions:

	2021	2020
Risk-free interest rate	0.81%	0.33%
Expected stock price volatility	89%	96%
Expected dividend yield	0.0%	0.0%
Expected option life in years	5.0	5.0

Expected volatility is based on historical price volatility to the extent of the expected life of the option.

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12. EXPLORATION EXPENDITURES

The Company's exploration expenditures for the nine months ended December 31, 2021 were as follows:

	North ROK	KSP	Castle	Sofia	Other	Total
	\$	\$	\$	\$	\$	\$
Exploration expenditures						
Analysis and storage	312	34,544	1,350	66,271	-	102,477
Camp	633	443,233	-	376,398	-	820,264
Community engagement	-	180	-	24,038	-	24,218
Consulting	20,000	142,646	-	94,399	3,000	260,045
Drilling	-	761,781	-	483,198	-	1,244,979
Info tech and communications	-	20,361	-	16,504	-	36,865
Field equipment	1,123	66,708	-	43,645	-	111,476
Fuel	588	64,563	-	13,474	-	78,625
Geophysics	-	129,206	3,169	4,480	-	136,855
Helicopter	-	582,225	-	384,104	-	966,329
Permitting and environment	-	6,000	-	37,323	-	43,323
Salaries and labour	22,943	262,326	7,384	221,709	3,121	517,483
Travel and accommodation	4,683	42,307	-	63,953	2,085	113,028
Total exploration expenditures	50,282	2,556,080	11,903	1,829,496	8,206	4,455,967

13. SUPPLEMENTAL CASH FLOW INFORMATION

The net change in non-cash operating working capital balances for the nine months ended December 31 consisted of the following:

	2021	2020
	\$	\$
Receivables	(134,909)	(9,487)
Prepaid expenses and deposits	(46,181)	34,726
Accounts payable and accrued liabilities	(113,024)	(223,980)
	(294,114)	(198,741)

Financing and investing activities that do not have a direct impact on cash flows are excluded from the condensed consolidated interim statement of cash flows.

The non-cash financing and investing transactions for the nine months ended December 31, 2021 consisted of the Company:

- issuing 253,000 finder warrants with a fair value of \$133,827 in connection with the April 16, 2021 private placement; and
- issuing 881,612 common shares valued at \$700,000 pursuant to the Moat Option Agreement.

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13. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

The non-cash financing and investing transactions for the nine months ended December 31, 2020 consisted of the Company:

- issuing 31,200 finder warrants with a fair value of \$9,220 in connection with the September 28, 2020 private placement; and
- issuing 900,397 common shares valued at \$499,720 pursuant to the Moat Option Agreement.

14. FINANCIAL INSTRUMENTS

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- 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 consolidated 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 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 the effective implementation of the objectives and policies to the Company's management. The effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets are reviewed periodically by the Board of Directors if and when there are any changes or updates required.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. 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 interest rate and commodity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's current policy is to invest excess cash in guaranteed investment certificates or interest-bearing accounts of major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy. A change of 1% in short-term interest rates would not have a material impact on net loss or comprehensive loss.

Cash deposits and guaranteed investment certificates are subject to floating interest rates.

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14. FINANCIAL INSTRUMENTS (continued)

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of the relevant commodities. The Company monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company also holds marketable securities in companies that are subject to the effect of changes in certain commodity prices. A significant decrease in commodity prices for which the Company is exploring for could impact the Company's ability to raise capital.

Foreign Exchange Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and United States dollar and other foreign currencies will affect the Company's operations and financial results. The Company does not hold significant monetary assets or liabilities in foreign currencies and therefore is not exposed to significant risks arising from the fluctuation of foreign exchange rates.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and receivables. Cash is maintained with financial institutions of reputable credit and may be redeemed upon demand and receivables are entered into with credit-worthy counterparties.

The carrying amount of financial assets represents the maximum credit exposure. Credit risk exposure is limited through maintaining cash with high-credit quality financial institutions and management considers this risk to be minimal for all cash assets based on changes that are reasonably possible at each reporting date.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to endeavour that it will 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. However, circumstances may arise where the Company is unable to meet those goals (Note 1). The key to managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days. To achieve this objective, the Company prepares annual or interim expenditure budgets, which are regularly monitored and updated as considered necessary.

The Company monitors its risk of shortage of funds by monitoring the maturity dates of existing accounts payable and accrued liabilities, lease liability and option payment commitments. The Company endeavours not to maintain any trade payables beyond a 30-day period to maturity.

Determination of Fair Value

Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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14. FINANCIAL INSTRUMENTS (continued)

General Objectives, Policies and Processes (continued)

Determination of Fair Value (continued)

The carrying amounts of cash and restricted cash, receivables 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.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities which include cash and restricted cash and marketable securities;
- Level 2 fair value measurements are those derived from 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) which include the net investment in sublease and lease liability; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company did not have any Level 2 or 3 financial instruments at December 31, 2021 or March 31, 2021. The Company's financial instruments were as follows:

	December 31, 2021	March 31, 2021
	\$	\$
Financial assets at FVTPL		
Cash	3,004,712	1,208,319
Restricted cash	3,638,034	594,294
Marketable securities	311,801	411,361
Financial assets at amortized cost		
Receivables	216,801	81,892
Financial liabilities at amortized cost		
Accounts payable	63,008	112,233
Due to related parties	22,350	28,650

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15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders. The Company's strategy remains unchanged from the year ended March 31, 2021.

The Company considers the items included in equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure that the above objectives are met.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's treasury management policy is to invest its cash in highly rated liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

16. RELATED PARTY TRANSACTIONS

Key management compensation

Key management personnel at the Company are the Directors and Officers of the Company. Transactions with key management personnel and their related parties are in the normal course of operations and are measured at their exchange amount, which is the amount agreed upon by the transacting parties.

In addition to key management personnel, the Company transacted with the following related parties during the nine months ended December 31, 2021 and/or 2020:

- Joseph E. Mullin LLC ("**Mullin LLC**") is a private company controlled by the Company's CEO, Mr. Joseph Mullin;
- Mount Arvon Partners LLC ("**Mount Arvon**"), a private company controlled by the Company's CEO;
- TSquared Accounting Inc. ("**TSquared**") is a private company controlled by the Company's CFO, Mr. Tim Thiessen;
- Elemental Capital Partners LLP ("**Elemental**") is a partnership controlled by Dr. Fletcher Morgan, a former director;
- Barresi Geological Services Ltd. ("**Barresi Geo**") is a private company controlled by the Company's former President, Mr. Tony Barresi, who resigned as President and as a director of the Company on February 12, 2022; and
- Anacott Resources Corp. ("**Anacott**"), a public company in which Dr. Morgan was the former CEO and a former director.

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16. RELATED PARTY TRANSACTIONS (continued)

a) Related Party Transactions

The Company's related party transactions for the nine months ended December 31 were as follows:

		2021	2020
		\$	\$
Administration and labour	1	-	1,700
Bonuses	2	-	13,710
Consulting fees	3	198,000	195,000
Equipment rentals	4	6,500	2,000
Salaries	5	265,993	162,435
Share-based payments expense	6	609,032	265,141
		<u>1,079,525</u>	<u>639,986</u>

- 1 Administration and labour for the nine months ended December 31, 2020 consisted of fees earned by Anacott.
- 2 Bonuses for the nine months ended December 31, 2020 consisted of \$6,855 earned by each of Mr. Barresi and Mount Arvon in connection with the mineral property sale to Fireweed (Note 8(g)).
- 3 Consulting fees for the nine months ended December 31, 2021 consisted of fees of \$135,000 earned by Mount Arvon for CEO services (2020: \$105,000) and \$63,000 of fees earned by TSquared for CFO services (2020: \$60,000). Consulting fees for the nine months ended December 31, 2020 also included \$30,000 earned by Elemental for Executive Chair services.
- 4 Equipment rental consisted exclusively of exploration equipment rented to the Company by Barresi Geo.
- 5 Salaries for the nine months ended December 31, 2021 consisted of \$148,500 earned by the Company's former President, Mr. Barresi (2020: \$82,500), which are included in salaries and benefits, and \$117,493 earned by the Company's Vice President of Exploration, Mr. Dave Fleming (2020: \$79,935), which are included in exploration expenditures.
- 6 Share-based payments expense is the fair value of stock options that have been granted to key management personnel.

b) Related Party Balances

The following related party balances for services performed were included in accounts payable and accrued liabilities (Note 9):

		December 31, 2021	March 31, 2021
		\$	\$
Accounts Payable	Service for:		
Elemental	Executive Chair	-	6,300
Mount Arvon	CEO	15,000	15,000
Tsquared	CFO	7,350	7,350
		<u>22,350</u>	<u>28,650</u>