NorthWestcopper

Formerly Serengeti Resources Inc.

Consolidated Financial Statements

For the Years Ended February 28, 2021 and February 29, 2020

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NorthWest Copper Corp.:

Opinion

We have audited the consolidated financial statements of NorthWest Copper Corp. (the "Company"), formerly Serengeti Resources Inc. which comprise the consolidated statements of financial position as at February 28, 2021 and February 29, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements, which indicates that as at February 28, 2021 the Company has not achieved profitable operations, had a net loss of $701,524 for the year ended February 28, 2021 and accumulated losses of $35,230,502 since inception. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

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.

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

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

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

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

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

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

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

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

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

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

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

DMCL

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

June 4, 2021

NorthWest Copper Corp. (Formerly Serengeti Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes		February 28, 2021		February 29, 2020
ASSETS					
Current assets					
Cash and cash equivalents	3	$	511,847	$	1,802,817
Receivables	4		46,210		101,370
Due from joint venture partner			-		558
Prepaid expenses			14,128		17,743
			572,185		1,922,488
Non-current assets					
Investment in joint venture	5		16,503,912		15,805,900
Reclamation deposits	8		55,260		54,222
Property, plant and equipment	6		15,078		57,546
Deferred transaction costs	1		486,319		-
Exploration and evaluation assets	7		2,077,196		1,529,562
			19,137,765		17,447,230
TOTAL ASSETS		**$**	**19,709,950**	**$**	**19,369,718**
LIABILITIES					
Current liabilities					
Trade payables and accrued liabilities	9,15	$	638,616	$	189,059
Short term loans	10		511,774		-
Current portion of lease payable	11		4,669		24,250
			1,155,059		213,309
Non-current liabilities					
Lease payable	11		-		30,373
Term loan payable	12		22,130		-
Flow-through share premium liability	14		24,834		327,707
TOTAL LIABILITIES			1,202,023		571,389
SHAREHOLDERS’ EQUITY					
Share capital	14,19		44,925,205		44,453,386
Warrant reserve	14		172,935		206,072
Share-based payment reserve	14		8,587,452		8,615,012
Equity portion of convertible debenture			52,837		52,837
Deficit			(35,230,502)		(34,528,978)
TOTAL SHAREHOLDERS' EQUITY			**18,507,927**		**18,798,329**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**19,709,950**	**$**	**19,369,718**

Nature of operations and going concern (Note 1)
Subsequent events (Notes 1 and 19)

(Expressed in Canadian Dollars)

	Notes		Year ended February 28, 2021		Year ended February 29, 2020
Expenses					
Management and consulting fees	15		390,140		332,764
Corporate development			192,167		111,403
Salaries			151,775		75,515
Share-based payments	14,15		90,321		613,403
Director fees	15		76,000		79,381
Office and miscellaneous			52,799		57,279
Professional fees			57,051		58,853
Investor relations			44,563		49,901
Depreciation	6		28,456		25,546
Transfer agent and filing fees			40,787		29,217
			(1,124,059)		(1,433,262)
Other Items					
Impairment	7		(20,056)		(2,460,626)
Recovery of flow-through share premium	14		302,873		442,553
Other income	5		146,213		-
Management income	5		42,967		37,598
Gain on term loan payable	12		20,746		-
Interest income			13,861		11,171
Gain on disposition of lease asset	6		1,945		2,989
Expenses recovered	7		-		8,166
Interest expense	10,11,12,13		(17,859)		(101,294)
Share of joint venture loss	5		(29,455)		(12,739)
Loss on disposition of investment	5		(38,700)		-
			422,535		(2,072,182)
Loss and comprehensive loss		**$**	**(701,524)**	**$**	**(3,505,444)**
Loss per share – basic and diluted		**$**	**(0.01)**	**$**	**(0.07)**
Weighted average number of common shares outstanding [(1)]			**54,972,146**		**49,440,399**

[(1)] The number of shares presented have been retroactively adjusted to reflect the 2 for 1 share consolidation (Notes 1 and 14)

NorthWest Copper Corp. (Formerly Serengeti Resources Inc.)
Consolidated Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Notes	Share capital: Number of shares (1)	Share capital: Amount	Warrant reserve	Share-based payment reserve	Equity portion of convertible debentures	Deficit	Total Shareholders' Equity
Balance at February 28, 2019		**46,424,740**	**$ 41,645,496**	**$ -**	**$ 8,007,772**	**$ -**	**$ (31,023,534)**	**$ 18,629,734**
Shares issued for cash - flow-through financing	14	5,851,000	3,099,480	-	-	-	-	3,099,480
Shares issued for cash - private placement financing	14	1,931,786	539,295	156,148	-	-	-	695,443
Shares issued for cash - exercise of stock options	14	100,000	12,000	-	-	-	-	12,000
Shares issued for cash - exercise of warrants	14	162,500	71,500	-	-	-	-	71,500
Shares issued for acquisition of property interests	7,14	116,666	58,333	-	-	-	-	58,333
Flow-through share premium	14		(770,260)					(770,260)
Share issuance costs	14	-	(208,621)	51,272	-	-	-	(157,349)
Warrants issuance costs	14	-	-	(1,348)	-	-	-	(1,348)
Reallocation of fair market value of stock options exercised	14	-	6,163	-	(6,163)	-	-	-
Share-based payments	14	-	-	-	613,403	-	-	613,403
Convertible debentures	13	-	-	-	-	52,837	-	52,837
Net loss for the year		-	-	-	-	-	(3,505,444)	(3,505,444)
Balance at February 29, 2020		**54,586,692**	**$ 44,453,386**	**$ 206,072**	**$ 8,615,012**	**$ 52,837**	**$ (34,528,978)**	**$ 18,798,329**
Shares issued for acquisition of property interests	7,14	50,000	28,000	-	-	-	-	28,000
Shares issued for debt	14	136,052	51,700	-	-	-	-	51,700
Shares issued for cash - exercise of warrants	14	141,345	72,260	-	-	-	-	72,260
Shares issued for cash - exercise of stock options	14	987,500	170,000	-	-	-	-	170,000
Share issuance costs	14	-	(1,159)	-	-	-	-	(1,159)
Reallocation of fair market value of warrants exercised	14	-	33,137	(33,137)	-	-	-	-
Reallocation of fair market value of stock options exercised	14	-	117,881	-	(117,881)	-	-	-
Share-based payments	14	-	-	-	90,321	-	-	90,321
Net loss for the year		-	-	-	-	-	(701,524)	(701,524)
Balance at February 28, 2021		**55,901,589**	**$ 44,925,205**	**$ 172,935**	**$ 8,587,452**	**$ 52,837**	**$ (35,230,502)**	**$ 18,507,927**

(1) The number of shares presented have been retroactively adjusted to reflect the 2 for 1 share consolidation (Note 1 and 14)

NorthWest Copper Corp. (Formerly Serengeti Resources Inc.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year ended February 28, 2021	Year ended February 29, 2020
Operating activities		
Net loss	$ (701,524)	$ (3,505,444)
Adjustments for non-cash items:		
Depreciation	28,456	25,546
Share of joint venture loss	29,455	12,739
Interest expense	17,641	57,902
Gain on disposition of lease asset	(1,945)	(2,989)
Management fee income	(42,967)	(37,598)
Share-based payments	90,321	613,403
Impairment	20,056	2,460,626
Gain on term loan payable	(20,746)	-
Loss on disposition of investment	38,700	-
Recovery of flow-through share premium	(302,873)	(442,553)
Changes in non-cash working capital items:		
Receivables	55,160	(73,326)
Due from joint venture partner	558	1,085,134
Prepaid expenses	3,615	9,156
Trade payables and accrued liabilities	429,190	60,836
Deferred transaction costs	(486,319)	-
Net cash flows provided by (used in) operating activities	(843,222)	263,432
Investing activities		
Exploration and evaluation assets	(532,325)	(1,438,718)
Investment in joint ventures	(658,500)	(1,063,500)
Property, plant and equipment	(9,345)	-
Reclamation deposits	(1,038)	(22,462)
Net cash flows used in investing activities	(1,201,208)	(2,524,680)
Financing activities		
Proceeds on issuance of common shares	-	3,794,923
Share issuance costs	(1,159)	(157,349)
Options exercised for cash	170,000	12,000
Warrants exercised	72,260	71,500
Warrants issuance costs	-	(1,348)
Loan received	500,000	-
CEBA loan received	40,000	-
Lease payable repayments	(27,641)	(29,018)
Net cash flows provided by financing activities	753,460	3,690,708
Net change in cash and cash equivalents	(1,290,970)	1,429,460
Cash and cash equivalents, beginning	1,802,817	373,357
Cash and cash equivalents, ending	**$ 511,847**	**$ 1,802,817**

See accompanying notes to the consolidated financial statements.

1. Nature of operations and going concern

NorthWest Copper Corp. (the "Company" or "NorthWest"), formerly Serengeti Resources Inc. was incorporated on March 5, 1973, under the laws of the Province of British Columbia, Canada, and its principal activity is the acquisition and exploration of mineral properties in Canada. The Company's shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "SIR". On March 5, 2021, the Company changed its name to Northwest Copper Corp. and commenced trading on the TSX-V under the new symbol "NWST".

The head office and principal address of the Company is 1055 West Hastings Street, Suite 1900, Vancouver, British Columbia, Canada, V6C 2E9. The Company's registered and records office address is #3200 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4P7.

On November 29, 2020, the Company announced they had entered into a definitive arrangement agreement with Sun Metals Corp. ("Sun Metals") pursuant to which NorthWest will acquire all of the issued and outstanding shares of Sun Metals (the "Transaction") on the basis of 0.43 common shares of NorthWest (on a pre-Consolidation (as defined below) basis) for each share of Sun Metals held, by way of a plan of arrangement under the Business Corporations Act British Columbia (the "Arrangement").

Concurrent with announcement of the Transaction, Sun Metals entered into an agreement with a syndicate of underwriters co-led by PI Financial Corp. and Haywood Securities Inc. (collectively, the "Co-Lead Underwriters") in connection with a bought deal private placement financing (the "Offering") of an aggregate of 82,800,000 subscription receipts (the "Subscription Receipts") at a price of $0.125 per Subscription Receipt (the "Issue Price") for gross proceeds of $10,350,000.

On December 17, 2020, Sun Metals completed the Offering and subscribers were issued 82,800,000 Subscription Receipts for gross proceeds of $10,350,000. The Subscription Receipts were issued pursuant to a subscription receipt agreement (the "Subscription Receipt Agreement") entered into by Sun Metals, NorthWest, the Co-Lead Underwriters, and Computershare Trust Company of Canada as subscription receipt agent. Pursuant to the Subscription Receipt Agreement, the gross proceeds of the Offering (less 50% of the underwriter's 6% cash commission and all of the underwriters' expenses) (the "Escrowed Funds") were held in escrow pending satisfaction of certain conditions, including, amongst others, (a) the satisfaction or waiver of each of the conditions precedent to the Transaction; and (b) the receipt of all required shareholder and regulatory approvals in connection with the Transaction and the Offering, including the conditional approval of the Exchange (collectively, the "Escrow Release Conditions"). While held in escrow, the Company has no interest in, or rights to, the Escrowed Funds and the amounts held by the subscription receipt agent pursuant to the Subscription Receipt Agreement are at the sole risk of the subscription receipt holders.

Upon the satisfaction of the Escrow Release Conditions, which occurred on March 4, 2021, each Subscription Receipt automatically converted into one Unit (each, a "Unit") of Sun Metals. Each Unit consisted of one common share of Sun Metals (each a "Common Share") and one-half of one common share purchase warrant (each a "Warrant").

On March 5, 2021, the Company consolidated all the issued and outstanding common shares on a two for one basis. (the "Consolidation"). The Consolidation reduced the common shares issued and outstanding at March 5, 2021 from 112,153,368 pre-consolidated to 56,076,589 post-consolidated common shares.

On March 5, 2021, the Company announced the closing of the Arrangement, following which Sun Metals became a wholly owned subsidiary of NorthWest. Pursuant to the Arrangement, the Company issued 55,322,966 common shares, 2,866,523 stock options with a weighted average exercise price of $1.09, and 15,423,541 warrants with a weighted average exercise price of $1.05 to former Sun Metals securityholders. During the year ended February 28, 2021, the Company incurred $486,319 in costs related to the transaction, which have been recorded as deferred transaction costs as at February 28, 2021.

1. Nature of operations and going concern (cont'd)

Following completion of the Arrangement, the Company now owns 100% of the Stardust copper-gold project, 100% of the Lorraine copper-gold project, and 100% of the OK copper-molybdenum project.

Going concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At February 28, 2021, the Company had not achieved profitable operations, had a net loss of $701,524 for the year ended February 28, 2021 and accumulated losses of $35,230,502 (February 29, 2020 - $34,528,978) since inception, all of which indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to raise equity capital or borrowings sufficient funds to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

Since March 31, 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID- 19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

2. Significant accounting policies and basis of preparation

These consolidated financial statements were authorized for issue by the directors of the Company on June 4, 2021.

Statement of compliance with International Financial Reporting Standards

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of presentation

These consolidated financial statements of the Company have been prepared on a historical cost basis except for certain financial instruments classified in accordance with measurement standards under IFRS. These consolidated financial statements are presented in Canadian dollars unless otherwise specified. Certain comparative figures have been reclassified to conform to the current year's presentation.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**February 28, 2021**	**February 29, 2020**
0790202 BC Ltd.	Canada	100%	100%

*Percentage of voting power is in proportion to ownership. This company is inactive.

2. Significant accounting policies and basis of preparation (cont'd)

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of mineral properties, valuation of investment in joint venture, valuation of share-based payments, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

i) Going concern

Management has determined that the Company will be able to continue as a going concern for the next twelve months.

ii) Economic recoverability and probability of future benefits of exploration and evaluation costs

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

iii) Joint arrangements

Judgement is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement including whether the arrangement is structured through a separate vehicle, in which case, judgment is also required to assess the rights and obligations arising from the legal form of the separate vehicle, terms of the contractual arrangement, and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. Management has assessed the investment in partnership as a joint venture.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of loss and comprehensive loss during the financial period in which they are incurred.

2. Significant accounting policies and basis of preparation (cont'd)

Property, plant and equipment (cont'd)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated to expense the cost of the assets to their residual values over their estimated useful lives. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Class of property, plant and equipment	Depreciation rate
Computer equipment	30% declining balance basis
Furniture and equipment	30% declining balance basis
Leased office	Over remaining lease term

Leases

At inception of a contract, the Company assesses whether a 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 of a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method, and is re-measured when there is a change in future lease payments. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in Property, plant and equipment, and lease liabilities in 'lease liabilities' in the statement of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2. Significant accounting policies and basis of preparation (cont'd)

Convertible debentures

Convertible debentures are separated into their liability and equity components on the Consolidated Statements of Financial Position. The liability component is initially recognized at fair value, determined as the net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue. The liability component is subsequently measured at amortized cost, using the effective interest method, until extinguished upon conversion or maturity.

The fair value of the equity component of debt is estimated using the residual method in which the difference between the face value of the instrument and the fair value of the liability component is allocated as the fair value of the equity component. The issuance costs have been allocated on a pro-rata basis between the debt and equity components.

Investments in joint ventures

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive loss is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the consolidated statement of loss and comprehensive loss, and its share of post-acquisition movements in other comprehensive loss is recognized in other comprehensive loss with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Company determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount in the consolidated statement of loss and comprehensive loss.

Profits and losses resulting from transactions between the Company and its joint venture are recognized in the Company's consolidated financial statements only to the extent of the unrelated investor's interest in the joint venture. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in joint ventures are recognized in the consolidated statement of loss and comprehensive loss.

Exploration and evaluation assets

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

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

2. Significant accounting policies and basis of preparation (cont'd)

Exploration and evaluation assets (cont'd)

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

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

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

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received is recorded as a gain on disposition of a mineral property. Any revenue, including the receipt of fees and similar payments, earned prior to the commencement of commercial production, and reasonably attributable to the costs historically incurred on a property, is also offset against those costs as received.

Exploration tax credits

The Company may qualify for certain exploration tax credits based on qualifying expenditures incurred. Such tax credits are recorded when the amounts involved, and the collection thereof, are considered to be reasonably determinable. These amounts offset the deferred costs to which they relate or are included in operations if such costs have been expensed.

Restoration and environmental obligations

The Company recognizes liabilities for legal and constructive obligations associated with the retirement of mineral properties. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in the regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any significant restoration provisions at February 28, 2021 or February 29, 2020.

Impairment of non-financial assets

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

2. Significant accounting policies and basis of preparation (cont'd)

Impairment of non-financial assets (cont'd)

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

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Financial Instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

At February 28, 2021, the Company measured cash and reclamation deposits at FVTPL, and receivables, trade payables and accrued liabilities and short term loans at amortized cost.

Measurement

<u>Financial assets and liabilities at amortized cost</u>
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Measurement

<u>Financial assets and liabilities at FVTPL</u>
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of comprehensive loss in the period in which they arise.

<u>Debt investments at FVTOCI</u>
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

<u>Equity investments at FVTOCI</u>
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

2. Significant accounting policies and basis of preparation (cont'd)

Financial instruments (cont'd)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of comprehensive loss.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

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

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, and short-term highly liquid investments and bank overdrafts.

2. Significant accounting policies and basis of preparation (cont'd)

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercise were used to acquire common shares at the average market price during the reporting period.

Warrants

The proceeds from private placements that include warrants are allocated on a relative fair value basis between the common shares and warrants. The fair value attributed to warrants is recorded in warrant reserve within equity. If the warrants are converted, the consideration paid, along with the amount previously recognized in warrant reserve, is recorded as an increase to share capital. Upon expiry of warrants, any fair value attributed is reclassified to share capital.

Income taxes

Current income tax:

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

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

Deferred income tax:

Deferred tax is accounted for using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of the assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Flow-through shares:

Canadian income tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures.

IFRS does not contain explicit guidance pertaining to this tax incentive. Therefore, the Company has adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is initially recorded as a flow-through share premium liability and then included in income at the time the qualifying expenditures are made.

(Expressed in Canadian Dollars)

3. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		February 28, 2021		February 29, 2020
Cash at bank	$	511,847	$	336,817
Guaranteed investment certificates		-		1,466,000
	$	511,847	$	1,802,817

4. Receivables

		February 28, 2021		February 29, 2020
Exploration costs recoverable from KCC (Note 5)	$	31,246	$	43,099
Goods and services tax receivable		10,960		53,023
Other receivables		4,004		5,248
	$	46,210	$	101,370

5. Investment in joint venture – Kwanika Copper Corporation

On November 24, 2017, NorthWest completed a transaction whereby NorthWest, POSCO DAEWOO Corporation, since renamed Posco International Corporation (“PIC”) and Kwanika Copper Corporation (“KCC”) (formerly Daewoo Minerals Canada Corporation) signed a definitive joint venture agreement (the “JVA”) for the exploration and development of the Kwanika property (the “Project”). Pursuant to the JVA, the respective interests of NorthWest and PIC in the Project were transferred to KCC, which serves as the vehicle for the joint venture.

In 2017, PIC contributed a total of $8,300,000 in cash and as a result of this and prior contributions, held 8,200,000 common shares of KCC (representing 35% of the total issued shares of KCC). NorthWest contributed its 95% ownership of the Kwanika property, in exchange for 15,228,571 common shares of KCC (representing 65% of the total issued shares of KCC).

During calendar 2019, an additional $590,000 was contributed to KCC on a pro-rata basis by the two parties to further engineering studies.

During December 2019, $680,000 was solely contributed by NorthWest to KCC towards funding of the calendar 2020 work program. During the year ended February 28, 2021, the Company made an additional sole contribution of $853,200 to KCC. As at February 28, 2021, total sole contribution by NorthWest towards funding of the KCC calendar 2020 work program was $1,533,200.

During the year ended February 28, 2021, a total of 38,700 of KCC common shares held by NorthWest was transferred to PIC. The Company recorded a loss on disposal of investment of $38,700 as a result of the transfer.

As at February 28, 2021, total contributions by NorthWest to KCC were $17,106,571.

Upon completion of the calendar 2020 work program, and as a result of sole-funding that program, NorthWest owned approximately 66.949% of KCC. As a consequence of PIC electing not to participate in the 2020 program, they have diluted on a pro-rata basis to 33.05% ownership of KCC.

(Expressed in Canadian Dollars)

5. Investment in joint venture – Kwanika Copper Corporation (cont'd)

NorthWest can remain as Project operator so long as it maintains a majority interest. As Project operator, NorthWest received a 10% management fee on expenditures of $7,000,000. Unearned management fee income is included in deferred revenue in the consolidated statement of financial position. Management fee income of $42,967 (February 29, 2020 – $37,598) earned from the joint venture during the year has been recorded in the consolidated statements of loss and comprehensive loss.

NorthWest may be granted a 1% net smelter return royalty ("NSR") if its Project interest is diluted below 50% and an additional 0.5% NSR if its interest is diluted below 33 ⅓%, subject to partial buyback provisions to PIC. PIC will have certain concentrate offtake rights from production on the Project, subject to NorthWest's ability to enter into separate streaming arrangements.

Pursuant to the JVA, the Company is entitled to the proceeds from the Mineral Exploration Tax Credit ("METC") to be paid to KCC. During the year ended February 28, 2021, the Company received $139,018 METC refund from KCC which is included in other income.

Summarized statement of financial position – Kwanika Copper Corporation

		February 28, 2021 (unaudited)
Current assets	$	127,397
Non-current assets		25,493,383
Total assets	**$**	**25,620,780**
Current liabilities	$	157,374
Shareholders' equity		
Common shares		
NorthWest Copper Corp.		17,106,571
Posco International Corporation		8,445,200
Contributed Surplus		100,000
Deficit		(188,365)
Total shareholders' equity		25,463,406
Total equity and liabilities	**$**	**25,620,780**

Changes in the investment in joint venture for the years ended February 28, 2021 and February 29, 2020 are as follows:

Balance February 28, 2019	$	14,824,963
Additional investment in joint venture		1,063,500
Share of joint venture loss from March 1, 2019 to February 29, 2020		(12,739)
65% of management fee income earned from joint venture from March 1, 2019 to February 29, 2020		(69,824)
Balance February 29, 2020		15,805,900
Additional investment in joint venture		853,200
Disposition of investment		(38,700)
Share of joint venture loss from March 1, 2020 to February 28, 2021		(29,455)
66.949% of management fee income earned from joint venture from March 1, 2020 to February 28, 2021		(87,033)
Balance February 28, 2021	$	16,503,912

(Expressed in Canadian Dollars)

6. Property, plant and equipment

		Leased Office		Furniture and Equipment		Total
Cost						
Balance February 28, 2019	$	-	$	26,956	$	26,956
Additions		91,661		-		91,661
Disposal		(10,097)		-		(10,097)
Balance February 29, 2020	$	81,564	$	26,956	$	108,520
Disposal		(23,357)		-		(23,357)
Additions		-		9,345		9,345
Balance February 28, 2021		58,207		36,301		94,508
Accumulated depreciation						
Balance February 28, 2019	$	-	$	25,428	$	25,428
Additions		25,087		459		25,546
Balance February 29, 2020	$	25,087	$	25,887	$	50,974
Additions		27,421		1,035		28,456
Balance February 28, 2021		52,508		26,922		79,430
Net book value						
Balance February 29, 2020	$	56,477	$	1,069	$	57,546
Balance February 28, 2021	$	5,699	$	9,379	$	15,078

The leased office is being amortized on a straight-line basis over the lease term.

On January 1, 2021, the Company revised the lease termination date of the office space being leased, and the lease asset and lease liability were revalued to reflect changes in the future lease payments. As a result of the revaluations, the Company recorded a reduction of $25,303 in the lease liability, a reduction of $23,357 in the lease asset and a gain on disposition of the lease asset of $1,945 (Note 11).

On February 1, 2020, the Company revised the lease to reduce the amount of office space being leased, and the lease asset and lease liability were revalued to reflect changes in the future lease payments. As a result of the revaluations, the Company recorded a reduction of $13,086 in the lease liability, a reduction of $10,097 in the lease asset and a gain on disposition of the lease asset of $2,989 (Note 11).

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended February 28, 2021. Following completion of the Arrangement on March 5, 2021, the Company now owns 100% of the Stardust copper-gold project, 100% of the Lorraine copper-gold project, and 100% of the OK copper-molybdenum project.

	Milligan West	Top Cat	East Niv	Other	Total
Property acquisition costs					
Balance, beginning	$ 43,111	$ 64,502	$ 11,422	$ 439,354	$ 558,389
Additions	-	50,000	30,326	-	80,326
Balance, ending	43,111	114,502	41,748	439,354	638,715
Exploration and evaluation costs					
Balance, beginning	524,785	176,013	89,152	181,223	971,173
Costs incurred during period:					
Aircraft	-	-	32,693	-	32,693
Assaying	-	18,640	14,310	148	33,098
Camp and operations	-	26,601	28,487	2,376	57,464
Consulting	617	40,264	85,507	7,991	134,379
Geophysics	-	102,931	94,035	-	196,966
Software purchased	-	4,788	8,117	-	12,905
Travel and accommodation	-	9,901	9,958	-	19,859
	617	203,125	273,107	10,515	487,364
Other Items:					
Impairment	-	-	-	(20,056)	(20,056)
Balance, ending	525,402	379,138	362,259	171,682	1,438,481
Total	$ 568,513	$ 493,640	$ 404,007	$ 611,036	$ 2,077,196

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (cont'd)

The following is a description of the Company's exploration and evaluation assets and the related expenditures incurred for the year ended February 29, 2020:

	Atty	Milligan West	Top Cat	East Niv	Other	Total
Property acquisition costs						
Balance, beginning	$ 126,551	$ 43,111	$ -	$ 2,987	$ 814,052	$ 986,701
Additions	25,797	-	64,502	8,435	6,733	105,467
Balance, ending	152,348	43,111	64,502	11,422	820,785	1,092,168
Exploration and evaluation costs						
Balance, beginning	378,916	521,816	-	6,314	552,068	1,459,114
Costs incurred during year:						
Aircraft	273,208	-	28,145	14,815	65,993	382,161
Assaying	59,628	-	9,098	6,938	4,869	80,533
Camp and operations	95,161	-	71,099	16,736	22,347	205,343
Consulting	89,866	3,107	50,601	41,178	42,889	227,641
Drilling	323,273	-	-	-	-	323,273
Geophysics	112,912	-	-	-	120,920	233,832
Software purchased	-	-	270	-	-	270
Storage	-	2,472	-	-	4,538	7,010
Travel and accommodation	103,336	-	16,800	5,065	11,297	136,498
	1,057,384	5,579	176,013	84,732	272,853	1,596,561
Other Items:						
Exploration tax credits	(113,675)	(2,610)	-	(1,894)	(38,918)	(157,097)
Cost recoveries	-	-	-	-	(558)	(558)
Impairment	(1,474,973)	-	-	-	(985,653)	(2,460,626)
Balance, ending	(152,348)	524,785	176,013	89,152	(200,208)	437,394
Total	$ -	$ 567,896	$ 240,515	$ 100,574	$ 620,577	$ 1,529,562

a) ATTY and ATG Claims

The Company entered into option agreements to acquire a 100% interest in the Atty property from Finlay Minerals Ltd. ("Finlay") and adjacent claims ("ATG Claims") from Electrum Resource Corp. ("Electrum") on March 4, 2018 and the agreement was approved by the TSX-V on April 10, 2018.

In the prior year, upon review of the exploration results obtained in the 2019 drilling program, the Company made a decision to discontinue its option for the acquisition of a 100% interest in the Atty property from Finlay and adjacent ATG Claims from Electrum, returning these properties to the vendors. No further work payments were due at the time. The Atty property was impaired in full and recorded an impairment of $1,474,973 during the year ended February 29, 2020.

During the year ended February 28, 2021, the Company also recorded an impairment of $20,056 on the ATG property.

7. Exploration and evaluation assets (cont'd)

b) Milligan West

The Company owns a 56.3% interest in the Milligan West property in joint venture with Fjordland Exploration Inc., an arm's-length company also listed on the TSX-V. The Company is entitled to act as Operator for so long as its interest is 50% or more.

c) East Niv

The Company acquired East Niv by staking in 2018.

d) Top Cat

On July 19, 2019, the Company optioned the Top Cat claims.

The Company may earn a 100% interest by:

- Making staged cash payments totaling $340,000 over 5 years; $18,000 of which was paid on signing. On November 7, 2019, the Company issued 41,666 shares at a fair value of $18,333 in lieu of cash payment pursuant to the option agreement (Note 14). On July 13, 2020, the Company paid $22,000 pursuant to the option agreement;
- Issuing a total of 750,000 common shares in stages over a 5-year period. On August 2, 2019, 50,000 shares with a fair value of $27,000 were issued upon TSX-V approval of the option agreement. On July 13, 2020, the Company issued 50,000 shares with fair value of $28,000 pursuant to the option agreement (Note 14);
- Incurring a total of $1,250,000 in exploration expenditures over a 5-year period with a minimum of $100,000 to be spent before the first anniversary of the agreement, which expenditure was made;
- Granting the optionors a 3% NSR on the property, subject to the Company's right to purchase a 2% NSR for $2,000,000 at any time prior to the first anniversary of commercial production.

e) Net Smelter Return Royalties – Thor Marmot and Deer Lake Properties

During the year ended February 28, 2019, the Company acquired NSR's of 0.75% on each of the Thor Marmot and Deer Lake Properties located in the Kemess and Kamloops Mining Districts from Electrum and received a payment of $10,000 in exchange for Portable Assessment Credits that the Company transferred to Electrum for the maximum allowable five-year period.

(Expressed in Canadian Dollars)

7. Exploration and evaluation assets (cont'd)

f) Other Properties

NorthWest holds a 100% interest in a number of other properties, all of which are located in British Columbia.

During the year ended February 28, 2021, the Company recorded an impairment of $Nil (February 29, 2020 - $985,653) on several properties for claims that were not renewed.

During the year ended February 28, 2021, the Company recorded $Nil in BC Mineral Exploration Tax Credits ("BCMETC"). During the year ended February 29, 2020, the Company recorded $165,263 in BCMETC, of which $157,097 was allocated to exploration and evaluation assets and the balance of $8,166 to the statement of loss and comprehensive loss.

8. Reclamation deposits

The Company has posted bonds and investment certificates to provide for certain potential reclamation liabilities as agreed with the Province of British Columbia – Ministry of Energy, Mines and Petroleum Resources.

		February 28, 2021		February 29, 2020
Balance, beginning	$	54,222	$	31,760
Changes during the year		1,038		22,462
Balance, ending	$	55,260	$	54,222

9. Trade payables and accrued liabilities

		February 28, 2021		February 29, 2020
Trade payables	$	146,491	$	106,826
Amounts due to related parties (Note 15)		167,486		62,233
Accrued liabilities		324,639		20,000
	$	638,616	$	189,059

On June 24, 2020, the Company issued 136,052 common shares in the capital of the Company at a deemed price of $0.38 per share in settlement of $51,700 of debt owing to certain creditors who are at arm's length (Note 14).

10. Short term loans

On December 21, 2020, the Company received an aggregate of $500,000 in short term loans. $30,000 of the short term loan was received from an officer of the Company (Note 15). The loans are unsecured and bear interest of 1% per month and due at maturity being the earlier of June 30, 2021 and fifth business day following the completion of the plan of arrangement financing (Notes 1 and 19).

During the year ended February 28, 2021, the Company recorded interest of $11,774 (February 29, 2020 - $Nil). The balance of short-term loans as at February 28, 2021 is $511,774 (February 29, 2020 - $Nil).

(Expressed in Canadian Dollars)

11. Lease payable

On May 1, 2019, the Company entered into an office lease agreement for a term of three years. In accordance with IFRS 16, the Company recorded a lease asset and a lease liability with a fair value of $91,661. Fair value was determined by discounting future lease payments at a discount rate of 8%.

On February 1, 2020, the Company revised the lease to reduce the amount of office space being leased, and the lease asset and lease liability were revalued to reflect changes in the future lease payments. As a result of the revaluation, the Company recorded a reduction of $13,086 in the lease liability.

On January 1, 2021, the Company revised the lease termination date of the office space being leased, and the lease asset and lease liability were revalued to reflect changes in the future lease payments. As a result of the revaluations, the Company recorded a reduction of $25,303 in the lease liability.

The following table summarizes the lease transactions for the years ended February 28, 2021 and February 29, 2020:

		February 28, 2021		**February 29, 2020**
Balance, beginning	$	54,623	$	-
Addition (disposal)		(25,303)		78,575
Payments made		(27,641)		(29,018)
Interest recorded		2,990		5,066
Balance, ending	$	4,669	$	54,623

		February 28, 2021		**February 29, 2020**
Current portion	$	4,669	$	24,250
Long term portion		-		30,373
	$	4,669	$	54,623

12. Term loan payable

On April 27,2020, the Company received a loan for gross proceeds of $40,000 under the Canada Emergency Business Account ("CEBA") as part of the Canadian government funded COVID-19 financial assistance programs. The CEBA term loan is due on December 25, 2025. The loan is interest free until December 31, 2022 and bears interest at 5% per annum thereafter. If at least 75% of the loan principal is paid on or before December 31, 2022, the balance of the loan will be forgiven.

The benefit of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at the fair value of $19,254, using the Company's incremental borrowing rate of 18% per annum. The difference between the initial carrying amount and proceeds received of $20,746 was recognized as gain on term loan payable. During the year ended February 28, 2021, the Company recorded interest of $2,876 on the loan (February 29, 2020 – $Nil). The balance of the loan at February 29, 2021 is $22,130 (February 29, 2020 – $Nil).

(Expressed in Canadian Dollars)

13. Convertible debentures

On September 16, 2019, the Company issued secured convertible debentures for gross proceeds of $700,000. The debentures bore interest at 12% per annum and were convertible into common shares of the Company at a price of $0.32 per share. The debentures were secured by the METC proceeds (Note 5). If not converted to shares, the debentures were repayable the earlier of March 16, 2021, and 10 days after receipt of the METC proceeds.

The debentures were initially recognized at the face value of $700,000. The fair value of the debentures was determined by discounting the future cash flows at a market rate of interest of 18% and the difference of $52,837 was recorded as the equity component.

On January 10, 2020, the Company received the METC proceeds of $1,082,286 and in January 2020, the Company repaid the debentures plus interest for a total of $742,000. During the year ended February 29, 2020, accretion and interest of $94,837 were included in interest expense in the consolidated statement of loss and comprehensive loss.

The following table summarizes the debenture transactions for the years ended February 28, 2021 and February 29, 2020:

	February 28, 2021	February 29, 2020
Equity component	$ 52,837	$ 52,837
Liability component, at date of issuance	$ -	$ 647,163
Interest and accretion	-	94,837
Payment	-	(742,000)
	$ -	$ -

14. Share capital and reserves

On March 5, 2021, the Company consolidated all the issued and outstanding common shares on a two for one basis. All shares, warrants, options, per share figures and references in the financial statement have been retroactively adjusted to reflect the share consolidation (Note 1).

Authorized share capital

An unlimited number of common shares without par value.

Issued share capital

<u>*Year ended February 28, 2021*</u>

At February 28, 2021, there were 55,901,589 issued and fully paid common shares (February 29, 2020 – 54,586,692).

On June 24, 2020, the Company issued 136,052 common shares in the capital of the Company at a fair value of $0.38 per share in settlement of $51,700 of debt owing to certain creditors who are at arm's length (Note 9).

On July 13, 2020, the Company issued 50,000 shares at a fair value of $28,000 pursuant to the option agreement on the Top Cat project (Note 7).

During the year ended February 28, 2021, 978,500 stock options were exercised for gross proceeds of $170,000 and 141,345 of warrants were exercised for gross proceeds of $72,260.

14. Share capital and reserves (cont'd)

Issued share capital (cont'd)

Year ended February 29, 2020

On January 16, 2020, the Company closed a non-brokered private placement financing, issuing 1,931,786 units at a price of $0.36 per unit for gross proceeds of $695,443. Each unit consisted of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.52 per share for a period of two years following the closing of the financing. Finders' fees of $6,004 in cash and 16,680 finders' warrants with a fair value of $4,057 were paid in relation to the financing. The finders' warrants are exercisable at a price of $0.52 for a period of two years from the date of issuance. The Company also incurred other costs of $8,718.

On December 19, 2019, the Company completed the second tranche of a non-brokered private placement financing, issuing 442,000 flow-through common shares at a price of $0.48 per share for gross proceeds of $212,160. Finders' fee of $14,851 in cash and 26,425 finders' warrants with a fair value of $6,130 were paid in relation to the second tranche of the flow-through financing. The finders' warrants are exercisable at a price of $0.50 for a period of two years from the date of issuance. The Company also incurred other costs of $6,459.

On December 17, 2019, the Company completed the first tranche of a non-brokered private placement financing, issuing 2,984,000 flow-through common shares at a price of $0.48 per share for gross proceeds of $1,432,320. Finders' fee of $91,022 in cash and 189,630 finders' warrants with a fair value of $41,085 was paid in relation to the first tranche of the flow-through financing. The finders' warrants are exercisable at a price of $0.50 for a period of two years from the date of issuance. The Company also incurred other costs of $18,688.

On November 7, 2019, the Company issued 41,666 shares at a fair value of $18,333 in lieu of cash payment pursuant to the option agreement on the Top Cat project (Note 7).

On August 2, 2019, the Company issued 50,000 shares at a fair value of $27,000 pursuant to the option agreement on the Top Cat project (Note 7).

On July 19, 2019, the Company issued 12,500 shares at fair value of $6,500 each to Kwadacha First Nation and Tsay Keh Dene Nation pursuant to the exploration agreement on the Atty property.

On May 17, 2019, the Company completed a non-brokered private placement financing, issuing 2,425,000 flow-through common shares at a price of $0.60 per share for gross proceeds of $1,455,000. Share issuance costs of $12,955 were incurred in connection with the private placement.

During the year ended February 29, 2020, the Company recorded flow-through share premium liability of $770,260 related to the value of flow-through component.

During the year ended February 29, 2020, 100,000 stock options were exercised for gross proceeds of $12,000.

During the year ended February 29, 2020, 162,500 warrants were exercised for gross proceeds of $71,500.

14. Share capital and reserves (cont'd)

Basic and diluted loss per share

The basic and diluted loss per share for the year ended February 28, 2021 was $0.01 (February 29, 2020 – $0.07). The calculation of basic and diluted loss per share for the year ended February 28, 2021 was based on the loss attributable to common shareholders of $701,524 (February 29, 2020 – $3,505,444) and the weighted average number of common shares outstanding of 54,972,146 (February 29, 2020 – 49,440,399). The diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive. At February 28, 2021, the total number of potentially dilutive warrants was 1,057,281 (February 29, 2020 – 1,198,626) and the total number of potentially dilutive stock options was 3,642,500 (February 29, 2020 – 4,660,000). The aggregate number of potentially dilutive shares was 4,699,781 (February 29, 2020 – 5,858,626).

Warrants

Year ended February 28, 2021

No warrants were issued during the year ended February 28, 2021.

Year ended February 29, 2020

In connection with the January 16, 2020 private placement, 965,891 warrants were issued. Each warrant gives the holder the right to acquire a further common share of the Company at a price of $0.52 for a term of 2 years. Proceeds from the private placement were allocated between warrants and shares based on relative fair value and the warrants were valued at $156,148 using the Black-Scholes pricing model with the following assumptions: risk-free rate of 1.55%, volatility of 122.81%, dividends of nil, and expected life of 2 years.

In connection with the January 16, 2020 private placement, 16,680 finders' warrants were issued. Each warrant gives the holder the right to acquire a common share of the Company at a price of $0.52 for a term of 2 years. The finders' warrants were valued at $4,057 using the Black-Scholes pricing model with the following assumptions: a risk-free rate of 1.55%, volatility of 122.81%, dividends of nil, and expected life of 2 years.

In connection with the December 19, 2019 private placement, 26,425 finders' warrants were issued. Each finders' warrant gives the holder the right to acquire a common share of the Company at a price of $0.50 for a term of 2 years. The finders' warrants were valued at $6,130 using the Black-Scholes pricing model with the following assumptions: a risk-free rate of 1.67%, volatility of 123.36%, dividends of nil, and expected life of 2 years.

In connection with the December 17, 2019 private placement, 189,630 finders' warrants were issued. Each finders' warrant gives the holder the right to acquire a common share of the Company at a price of $0.50 for a term of 2 years. The finders' warrants were valued at $41,085 using the Black-Scholes pricing model with the following assumptions: a risk-free rate of 1.69%, volatility of 123.41%, dividends of nil, and expected life of 2 years.

(Expressed in Canadian Dollars)

14. Share capital and reserves (cont'd)

Warrants (cont'd)

The changes in warrants during the years ended February 28, 2021 and February 29, 2020, are as follows:

	February 28, 2021		February 29, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning	1,198,626	$ 0.52	1,075,000	$ 0.44
Warrants issued	-	-	1,198,626	0.52
Warrants exercised	(141,345)	0.51	(162,500)	0.44
Warrants expired	-	-	(912,500)	0.44
Warrants outstanding, ending	1,057,281	$ 0.52	1,198,626	$ 0.52

Warrants outstanding at February 28, 2021 are as follows:

Number of warrants	Exercise price	Expiry date
154,085	$0.50	December 17, 2021
903,196	$0.52	January 16, 2022
1,057,281		

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V policies, grant to directors, officers, employees and consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance does not exceed a fixed total of 6,312,000. Such options may be exercisable for a period of up to five years from the date of grant. On February 26, 2021, the Company's shareholders approved a 10% rolling plan, which was subsequently adopted by the Board of Directors on March 5, 2021.

The changes in stock options during the years ended February 28, 2021 and February 29, 2020, are as follows:

	February 28, 2021		February 29, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	4,660,000	$ 0.31	3,097,500	$ 0.22
Options granted	95,000	0.60	1,675,000	0.46
Options exercised	(987,500)	0.17	(100,000)	0.12
Options expired	(100,000)	0.30	(12,500)	0.46
Options forfeited	(25,000)	0.46	-	-
Options outstanding, ending	3,642,500	$ 0.36	4,660,000	$ 0.31
Options exercisable, ending	3,642,500	$ 0.36	4,337,083	$ 0.30

(Expressed in Canadian Dollars)

14. Share capital and reserves (cont'd)

Stock options (cont'd)

Details of options outstanding as at February 28, 2021 are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.14	0.16 years	510,000	510,000
$0.30 - $0.60	2.52 years	3,132,500	3,132,500
	2.19 years	3,642,500	3,642,500

During the year ended February 28, 2021, the Company granted 95,000 (February 29, 2020 – 1,675,000) stock options with average fair value of $0.53 (February 29, 2020 - $0.33) per option.

During the year ended February 28, 2021, the Company recorded share-based payments of $90,321 (February 29, 2020 – $613,403) relating to options vested during the year.

The fair value of options granted was determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	February 28, 2021	February 29, 2020
Expected life of options	5 years	4.73 years
Annualized volatility	120.96%	127.79%
Risk-free interest rate	0.36%	1.50%
Dividend rate	0%	0%

Reserves

The share-based payment and warrant reserves comprise share-based payments and warrant payments. When stock options or warrants are exercised, the corresponding amount is transferred to share capital. When stock options and warrants expire, the corresponding amount is transferred to share-based payment reserve.

Flow-through premium liability

For the purposes of calculating any premium related to the issuances of the flow-through shares, the Company compares the market price of its shares to the subscription price of flow-through shares to determine if there was a premium paid on the flow-through shares. As a result, the Company's flow-through liability on issuance of flow-through shares in connection with private placements is as follows:

		February 28, 2021		**February 29, 2020**
Balance, beginning	$	327,707	$	-
Additions		-		770,260
Reversal		(302,873)		(442,553)
Balance, ending	$	24,834	$	327,707

As at February 28, 2021, the Company is committed to spending approximately $148,996 in connection with its flow-through offerings (February 29, 2020 - $1,615,427).

(Expressed in Canadian Dollars)

15. Related party transactions

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities (Note 9). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

		February 28, 2021		February 29, 2020
Directors and officers of the Company	$	167,486	$	62,233

On December 21, 2020, the Company received $30,000 of the short term loan from an officer of the Company. The loan is unsecured and bears interest of 1% per month and due at maturity being the earlier of June 30, 2021 and fifth business day following the completion of the plan of arrangement financing (Note 10 and 19).

The balance of short-term loans due to related parties as at February 28, 2021 is $30,706 (February 29, 2020 - $Nil).

Key management personnel compensation – paid or accrued

Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. The Company has determined that its key management personnel consist of the Company's Board of Directors and corporate officers.

Amounts recorded for key management personnel are as follows:

		Year ended February 28, 2021		Year ended February 29, 2020
Management fees (1)	$	203,812	$	181,759
Consulting (2)		160,181		154,374
Director fees (3)		76,000		79,381
Share-based payments		26,282		531,327
	$	466,275	$	946,841

(1) $81,562 of management fees were accrued

(2) Includes accounting fees paid to a company controlled by the CFO of $88,826 (2019: $67,414).
$20,865 of management fees were included in the accounts payable

(3) $38,000 of director fees were accrued

16. Commitments

On April 1, 2019, the Company entered into a lease agreement for two years. On April 1, 2021, the Company renewed the lease agreement and extended the lease term for two more years. Minimum lease payments under the agreement are $13,375 for the year ended February 2022.

17. Financial instruments

The Company's financial instruments consists of cash and cash equivalents, receivables, reclamation deposits, trade payables and short-term loans. The carrying values of cash and cash equivalents, receivables, reclamation deposits, trade payables and short-term loans approximate their fair value because of their relatively short-term nature on the instruments.

<u>There are three levels of the fair value hierarchy as follows:</u>

Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

All financial instruments other than cash and cash equivalents are measured using level 2 inputs.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is summarized as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash is deposited in bank accounts at a major bank in Canada. As most of the Company's cash and cash equivalents are held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. Credit risk is assessed as low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company aims to have sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from its ability to raise equity capital or borrowings sufficient funds and its holdings of cash and cash equivalents. Liquidity risk is assessed as high.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

Capital Management

The Company's policy is, if permitted by market conditions, to maintain a strong capital base so as to support investor and creditor confidence and support future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves net of accumulated deficit.

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

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

(Expressed in Canadian Dollars)

18. Income tax

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

		2021		2020
Net income (loss)	$	(701,524)	$	(3,505,444)
Expected income tax recovery	$	(189,000)	$	(946,000)
Deductible and non-deductible amounts		622,000		(1,013,000)
Share issuance cost		-		(56,000)
Change in unrecognized deductible temporary differences		(433,000)		2,015,000
Total income tax recovery	$	-	$	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

		2021		2020
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	342,000	$	1,117,000
Investment tax credits		264,000		264,000
Equipment		76,000		37,000
Share issue costs		37,000		51,000
Capital lease obligations		1,000		14,000
Right-of-use asset		(2,000)		(15,000)
Non-capital losses		2,998,000		2,681,000
Valuation allowance		(3,716,000)		(4,149,000)
Net deferred tax liability	$	-	$	-

The Canadian non-capital losses carry forward at February 21, 2021 is $11,104,697 and will expire between 2026 – 2041.

19. Subsequent events

Share capital transactions

a) On March 5, 2021, the Company issued 164,095 common shares in settlement of $150,000 of debt owing to an arm's length creditor.

b) On March 8, 2021, the Company granted 4,675,000 stock options to directors, certain officers and consultants with an exercise price of $0.90 per common share and have a range of vesting periods over three years and expires after 5 years.

c) On March 8, 2021, the Company granted 1,000,000 of Deferred Share Units (DSUs) to directors and 1,975,000 Restricted Share Units (RSUs) to certain employees and consultants. The RSUs are payable in common shares of the Company on exercise, have a range of vesting periods over three years and must be redeemed within 30 days of March 8, 2024, or they expire. The DSUs vest immediately upon grant and payable in common shares of the Company, upon the holder ceasing to be a director of the Company.

d) On March 31, 2021, the Company closed a private placement offering for aggregate proceeds of $13,005,000, consisting of:

- 3,750,000 common shares at a price of $0.80 per share;
- 5,000,000 flow-through common shares at a price of $1.00 per share; and
- 4,550,000 charity flow-through common shares at a price of $1.10 per share.

e) On April 27, 2021, the Company granted 75,000 stock options to a consultant with an exercise price of $0.75 per common share which vest over three years and expire after 5 years. The Company also granted 100,000 (RSUs) to the consultant. The RSUs are payable in common shares of the Company on exercise, vest over three years and must be redeemed within 30 days of April 27, 2024, or they expire.

f) Subsequent to February 28, 2021, 687,500 stock options were exercised for gross proceeds of $145,700.

g) Subsequent to February 28, 2021, 1,050,101 warrants were exercised for gross proceeds of $579,055.

Short-term loan

Subsequent to February 28, 2021, the Company paid the principal and interest amount of the short term loans in full (Note 10).