NorthWestcopper

Condensed Interim Consolidated Financial Statements

For the Three Months Ended March 31, 2022, and February 28, 2021

(Expressed in Canadian Dollars)

NorthWest Copper Corp.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Notes	March 31, 2022	December 31, 2021
ASSETS			
Current assets			
Cash		$ 22,936,159	$ 24,682,958
Short term investments		30,000	30,000
Receivables	4	869,951	762,267
Marketable securities	6(c)	261,816	-
Prepaid expenses		1,021,901	213,227
		25,119,827	25,688,452
Non-current assets			
Investment in joint venture	3	-	11,648,360
Property, plant and equipment	5	193,709	223,682
Exploration and evaluation assets	6	78,130,663	56,001,281
Deposits	7,10	423,396	362,896
		78,747,768	68,236,219
TOTAL ASSETS		**$ 103,867,595**	**$ 93,924,671**
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	10	$ 1,814,023	$ 1,301,499
Payable to POSCO	3	7,000,000	-
Flow-through share premium liability	9	5,316,413	5,649,804
Term loan payable		26,483	-
Current portion of lease payable	8	107,511	105,390
		14,264,430	7,056,693
Non-current liabilities			
Closure and reclamation	7	133,493	133,493
Lease payable	8	57,057	84,744
Term loan payable		-	25,080
TOTAL LIABILITIES		14,454,980	7,300,010
SHAREHOLDERS' EQUITY			
Share capital	9	129,941,808	125,979,616
Share-based payment reserve	9	20,170,917	19,399,425
Equity portion of convertible debenture		52,837	52,837
Deficit		(60,752,947)	(58,807,217)
TOTAL SHAREHOLDERS' EQUITY		**89,412,615**	**86,624,661**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 103,867,595**	**$ 93,924,671**

Nature of operations and going concern (Note 1)
Subsequent events (Note 13)

Approved by the Audit Committee of the Board of Directors on May 26, 2022:

"*Teodora Dechev*", Director — "*Sean Tetzlaff*", Director

See accompanying notes to the condensed interim consolidated financial statements.

NorthWest Copper Corp.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Notes	Three months ended March 31, 2022	Three months ended February 28 2021 *Restated (Note 2e)*
Expenses			
Exploration and evaluation expenditures	6	$ 1,153,246	$ 53,647
Share-based payments	9	968,437	1,156
Salaries, management consulting and director fees	10	410,171	203,960
Office and miscellaneous		125,247	14,749
Investor relations		116,889	12,660
Professional fees		87,492	42,984
Depreciation	5	28,578	8,470
Transfer agent and filing fees		16,408	27,853
		(2,906,468)	(365,479)
Other Items			
Recognition of flow-through share premium	9	333,391	5,698
Other income		-	137,593
Management income		8,862	42,967
Interest income		6,857	742
Gain on option of mineral property	6	753,801	-
Gain on marketable securities		8,015	-
Gain of disposition of lease asset		-	1,945
Finance expense		(44,918)	(12,968)
Share of joint venture loss	3	(105,270)	(389,412)
		960,738	(213,435)
Net loss and comprehensive loss for the period		**$ (1,945,730)**	**$ (578,914)**
Loss per share – basic and diluted		**$ (0.01)**	**$ (0.01)**
Weighted average number of common shares outstanding		**148,190,306**	**55,535,217**

(Expressed in Canadian Dollars)

	Notes	Share capital: Number of shares	Share capital: Amount	Share-based payment reserve	Equity portion of convertible debentures	Deficit	Total Shareholders' Equity
Balance at November 30, 2020 *Restated (Note 2e)*		**55,200,164**	**$ 44,643,270**	**$ 8,869,704**	**$ 52,837**	**$ (41,899,587)**	**$ 11,666,224**
Shares issued for cash - exercise of warrants	9	101,425	52,212	-	-	-	52,212
Shares issued for cash - exercise of stock options	9	600,000	119,250	-	-	-	119,250
Reallocation of fair market value of warrants exercised		-	24,372	(24,372)	-	-	-
Reallocation of fair market value of stock options exercised		-	86,101	(86,101)	-	-	-
Share-based payments	9	-	-	1,156	-	-	1,156
Net loss for the period		-	-	-	-	(578,914)	(578,914)
Balance at February 28, 2021 *Restated (Note 2e)*		**55,901,589**	**$ 44,925,205**	**$ 8,760,387**	**$ 52,837**	**$ (42,478,501)**	**$ 11,259,928**
Balance at December 31, 2021		**145,359,629**	**$125,979,616**	**$ 19,399,425**	**$ 52,837**	**$ (58,807,217)**	**$ 86,624,661**
Shares issued for cash - exercise of warrants	9	552,446	287,272	-	-	-	287,272
Shares issued for cash - exercise of stock options	9	475,000	153,300	-	-	-	153,300
Reallocation of fair market value of warrants exercised	9	-	85,915	(85,915)	-	-	-
Reallocation of fair market value of stock options exercised	9	-	111,030	(111,030)	-	-	-
Shares issued to acquire remaining JV interest	3	5,194,805	3,324,675	-	-	-	3,324,675
Share-based payments	9	-	-	968,437	-	-	968,437
Net loss for the period		-	-	-	-	(1,945,730)	(1,945,730)
Balance at March 31, 2022		**151,581,880**	**$129,941,808**	**$ 20,170,917**	**$ 52,837**	**$ (60,752,947)**	**$ 89,412,615**

NorthWest Copper Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Notes	Three months ended March 31, 2022	Three months ended February 28 2021 *Restated (Note 2e)*
Operating activities			
Net loss		$ (1,945,730)	$ (578,914)
Adjustments for non-cash items:			
Depreciation	5	29,973	8,470
Share of joint venture loss	3	105,270	389,412
Finance expense		44,918	15,761
Interest income		(6,857)	-
Management income		(8,862)	(42,967)
Recognition of flow-through share premium	9	(333,391)	(5,698)
Share-based payments	9	968,437	1,156
Gain on option of mineral property		(753,801)	(1,945)
Gain on marketable securities		(8,015)	-
Loss on disposition of investment		-	-
Changes in			
Receivables		243,449	84,766
Prepaid expenses		(796,152)	(5,103)
Trade payables and accrued liabilities		385,346	100,803
Net cash flows used in operating activities		(2,075,415)	(34,259)
Investing activities			
Cash acquired from Kwanika	3	89,185	-
Cash transaction costs - Sun Metals		-	(203,150)
Investment in joint venture	3	(178,800)	(150,000)
Exploration and evaluation assets	6	-	11,428
Deposits		-	20,962
Interest received		6,857	-
Property, plant and equipment		-	(3,648)
Net cash flows used in investing activities		(82,758)	(324,408)
Financing activities			
Proceeds from exercise of options	9	153,300	104,250
Proceeds from exercise of warrants	9	287,272	52,212
Short-term loan		-	500,000
Lease payable repayments		(29,198)	(6,991)
Net cash flows provided by financing activities		411,374	649,471
Net change in cash and cash equivalents		(1,746,799)	290,804
Cash and cash equivalents, beginning		24,682,958	221,043
Cash and cash equivalents, ending		**$ 22,936,159**	**$ 511,847**

See accompanying notes to the condensed interim 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. 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 #2200 – 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8.

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. All share, and per share information, including options and warrants, have been amended retrospectively in these condensed interim consolidated financial statements to reflect the share consolidation.

Going concern

These condensed interim 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. At March 31, 2022, the Company had not achieved profitable operations, had a net loss of $1,945,730 for the three months ended March 31, 2022 (three months ended February 28, 2021 - $578,914) and accumulated losses of $60,752,947 (December 31, 2021 - $58,807,217) 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 ability to continue as a going concern is dependent on its ability to raise sufficient funds through equity capital or borrowings to meet its expenditure and 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. Failure to obtain additional funding on a timely basis may cause the Company to postpone exploration and/or evaluation plans or substantially reduce its operations.

Since March 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 and have resulted in significant volatility in global equity and commodity markets. The duration and ultimate impact of the COVID-19 outbreak is unknown at this time however it could adversely impact the Company's ability to carry out its plans and raise capital. 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. Basis of preparation

(a) Statement of compliance

The Company prepares their annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company's most recent consolidated financial statements as at and for the ten-month period ended December 31, 2021.

2. Basis of preparation (cont'd)

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company's most recent consolidated audited financial statements as at December 31, 2021.

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

(b) Change in Year End

During the ten months ended December 31, 2021, the Company changed its fiscal year end to December 31, from February 28. The Company's interim period is the three months ended March 31, 2022, and the interim comparative period is the three months ended February 28, 2021.

(c) Consolidation

The consolidated financial statements include the accounts of the Company and its Canadian controlled entities. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation. Subsidiaries are all entities over which the Company has control. NorthWest controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. Details of controlled entities are as follows:

		Percentage owned	
	Province of incorporation	**March 31, 2022**	**December 31, 2021**
Kwanika Copper Corp.*	British Columbia	82.61%	68.98%
Sun Metals Corp. ("Sun Metals")	British Columbia	100%	100%
Tsayta Resources Corporation**	British Columbia	100%	100%
0790202 BC Ltd.***	British Columbia	100%	100%

* At December 31, 2021, Kwanika Copper Corp. was classified as a joint venture. Following the close of the SPA (Note 3) in February 2022, the Company has assessed it has control over the entity.
**Subsidiary of Sun Metals, holds the Stardust, Lorraine, and Okeover projects.
***This company is inactive.

(d) Significant accounting judgments, estimates and assumptions

The preparation of 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 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to, and disclosed in, the audited consolidated financial statements for the period ended December 31, 2021.

(Expressed in Canadian Dollars)

2. Basis of preparation (cont'd)

(e) Change in Accounting Policy

Exploration and Evaluation Expenditures

As disclosed in the Company's consolidated financial statements as at December 31, 2021, in order to enhance the relevance of the Company's financial to the economic decision-making needs of users and improve comparability with our peers, the Company voluntarily changed its accounting policy with respect to mineral properties and capitalized exploration expenditures, consistent with the guidance provided in IFRS 6 – Exploration and Evaluation of Mineral Resources and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. In prior periods the Company's policy was to capitalize exploration and evaluation expenditures. The Company elected to change this accounting policy to expense exploration expenditures as incurred, effective with the presentation of the December 31, 2021, consolidated financial statements, on a retrospective basis.

The change in accounting policy required full retrospective application and was applied consistently to both the Company's exploration and evaluation assets and the exploration and evaluation assets which were held through the Company's investment in a joint venture.

For the three months ended February 28, 2021, the following adjustments were recorded to the condensed interim consolidated statement of loss and comprehensive loss:

	As previously reported	Effect of change of accounting policy	As currently reported
Exploration and evaluation assets	$ -	$ (53,647)	$ (53,647)
Share of joint venture loss	(29,455)	(359,957)	(389,412)
Loss and comprehensive loss	**(165,310)**	**(413,604)**	**(578,914)**
Loss per share – basic and diluted	**$ (0.00)**	**$ (0.01)**	**$ (0.01)**

For the three months ended February 28, 2021, the following adjustments were recorded to the condensed interim consolidated statement of cash flows:

	As previously reported	Effect of change of accounting policy	As currently reported
Net Loss	$ (165,310)	$ (413,604)	$ (578,914)
Share of joint venture loss	29,455	359,957	389,412
Net cash flows provided by (used in) operating activities	19,388	(53,647)	(34,259)
Exploration and evaluation assets	(42,219)	53,647	11,428
Net cash flows provided by (used in) investing activities	**$ (378,055)**	**$ 53,647**	**$ (324,408)**

(Expressed in Canadian Dollars)

3. Kwanika Copper Corporation

On December 29, 2021, the Company entered into a share purchase agreement ("SPA") with POSCO whereby NorthWest will purchase all of POSCO's remaining interest in Kwanika Copper Corporation ("KCC") for total consideration of $11 million, payable in common shares of NorthWest. KCC's primary asset is the Kwanika Project (Note 6c) and was previously presented as an equity accounted for joint venture.

On February 23, 2022, following receipt of all required approvals, the Company completed the first issuance of shares ("Tranche 1") to POSCO pursuant to the SPA by issuing 5,194,805 common shares with a fair value of $3,324,675 (and a deemed value of $4,000,000). As part of the Tranche 1 closing, the shareholder joint venture agreement among the parties has been terminated and any interest or rights of POSCO with respect to the Kwanika Project under the shareholder joint venture agreement, including offtake rights, terminated. All common shares issued under the SPA are subject to a hold period of four months and one day from the date of issuance.

Pursuant to the terms of the SPA, NorthWest is obligated to issue to POSCO a further $7 million in common shares in two tranches over a period of approximately four months as follows:

Tranche	Date of Issue	Value (C$)	NWST Share Price (C$) at date of issue
Tranche 2	April 25, 2022	$4,000,000	Trailing 20-day VWAP at date of issue
Tranche 3	120 days after Tranche 1	$3,000,000	Trailing 20-day VWAP at date of issue

At March 31, 2022, the Company has recorded a liability for the remaining $7 million to be paid to POSCO in the form of common shares to be issued. Following the first close of the SPA and the dissolution of the shareholder joint venture agreement, the Company has assessed it has control over KCC and have consolidated from such point, resulting in the Company consolidating KCC's working capital of $0.1 million and interest in the Kwanika Project of $16.4 million.

The fair value of the total consideration of $10.3 million exceeded POSCO's share of the net assets of KCC at the time of the transaction by $5.7 million and this has been recorded as an addition to the cost of the Kwanika mineral property in the Company consolidated statement of financial position.

During the period January 1, 2022, to February 23, 2022, NorthWest incurred $178,800 in costs on behalf of KCC. Following approval of the funding request by the KCC board, the amount owing from KCC to NorthWest was settled in common shares of KCC. During the same period, KCC's net loss was $146,075, of which $145,574 was exploration and evaluation expenditures (three months ended February 28, 2021 - $537,658 and $576,961, respectively) . NorthWest Copper has recorded $105,270 as a joint venture loss for the three months ended March 31, 2022, being 72.07% of KCC's loss prior to consolidation (three months ended February 28, 2021 - $359,957, 66.95%).

Changes in the investment in joint venture for the three months ended March 31, 2022, and period ended December 31, 2021, are as follows:

(Expressed in Canadian Dollars)

3. Kwanika Copper Corporation (cont'd)

Balance February 28, 2021 *Restated (Note 2e)*	$	10,714,450
Additional investment in joint venture		1,669,100
Costs incurred on behalf of KCC		2,668,298
Share of joint venture loss from March 1, 2021 to December 31, 2021		(3,185,527)
68.98% of management fee income earned from joint venture from March 1, 2021 to December 31, 2021		(217,961)
Balance December 31, 2021		11,648,360
Additional investment in joint venture		343,100
Share of joint venture loss from Jan 1, 2022 to February 23, 2022		(105,270)
Elimination on consolidation		(11,886,190)
Balance March 31, 2022	$	-

4. Receivables

		March 31, 2022		December 31, 2021
Exploration costs receivable from Fjordland	$	48,836	$	48,836
BC METC receivable		87,995		87,995
Goods and services tax receivable		116,251		382,914
Consideration receivable from Alpha (Note 6c)		500,000		-
Other receivables		116,869		242,522
	$	869,951	$	762,267

5. Property, plant and equipment

		Leased Office		Furniture and Equipment		Total
<u>Cost</u>						
Balance December 31, 2021 and March 31, 2022	$	223,437	$	74,423	$	297,860
<u>Accumulated depreciation</u>						
Balance December 31, 2021		35,749		38,429		74,178
Additions		26,812		3,161		29,973
Balance March 31, 2022	$	62,561	$	41,590	$	104,151
Net book value						
Balance December 31, 2021	$	187,688	$	35,994	$	223,682
Balance March 31, 2022	$	160,876	$	32,833	$	193,709

For the three months ended March 31, 2022, depreciation of $1,395 (three months ended February 28, 2021 - $nil) has been included in exploration and evaluation expenditures in the consolidated statements of loss.

(Expressed in Canadian Dollars)

6. Exploration and evaluation assets and expenditures

a) ***Acquisition Costs***

Details of the Company's acquisition costs related to its projects are as follows:

	Milligan West	Top Cat	East Niv	Kwanika	Stardust	Lorraine	Other	Total
Balance - December 31, 2021	$ 43,111	$ 174,502	$ 76,754	$ -	$ 52,635,218	$ 2,652,398	$ 419,298	$ 56,001,281
Consolidation on acquisition of control (Note 3)	-	-	-	22,129,382	-	-	-	22,129,382
Balance - March 31, 2022	$ 43,111	$ 174,502	$ 76,754	$ 22,129,382	$ 52,635,218	$ 2,652,398	$ 419,298	$ 78,130,663

b) ***Exploration and Evaluation Expenditures***

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the statements of loss and comprehensive loss from the date of acquisition, are as follows:

	Milligan West	Top Cat	East Niv	Kwanika[1]	Stardust	Lorraine	Other	Total
Balance - December 31, 2021	$ 581,447	$ 437,130	$ 3,899,352	$ -	$ 942,813	$ 1,743,503	$ 824,864	$ 8,429,108
Costs incurred during period:								-
Administration	-	-	6,346	6,346	8,160	6,346	-	27,197
Camp and operations	-	-	10,145	273,490	23,030	13,336	7,361	327,363
Drilling and assaying	3,173	-	54,575	201,117	9,681	24,385	5,194	298,124
Environmental	-	-	12,750	23,845	8,750	8,750	-	54,095
Geophysics	-	-	4,132	16,069	21,257	26,090	-	67,547
Resource studies	-	-	-	78,063	78,063	-	-	156,126
Salaries	2,550	6,951	29,625	101,396	87,852	30,835	35,329	294,537
Travel and accommodation	-	-	-	16,876	-	-	-	16,876
Costs recovered	-	-	-	-	-	-	(88,620)	(88,620)
	5,723	6,951	117,573	717,201	236,792	109,742	(40,737)	1,153,246
Balance - March 31, 2022	**$ 587,170**	**$ 444,081**	**$ 4,016,924**	**$ 717,201**	**$ 1,179,605**	**$ 1,853,245**	**$ 784,128**	**$ 9,582,354**

[1] Excludes expenditures prior to consolidation on February 23, 2022

	Milligan West	Top Cat	East Niv	Other	Total
Balance - November 30, 2020	**$ 525,402**	**$ 373,198**	**$ 336,250**	**$ 170,040**	**$ 1,404,890**
Costs incurred during period:					-
Administration	-	2,360	2,361	-	4,721
Camp and operations	-	1,593	1,882	1,642	5,117
Consulting	-	1,987	21,766	20,056	43,809
	-	5,940	26,009	21,698	53,647
Balance - February 28, 2021	**$ 525,402**	**$ 379,138**	**$ 362,259**	**$ 191,738**	**$ 1,458,537**

c) ***Exploration projects***

(i) Stardust Project

The Company owns 100% of the Stardust Project, a carbonate replacement deposit located in north-central British Columbia.

6. Exploration and evaluation assets and expenditures (cont'd)

(ii) Kwanika Project

The Kwanika Project is a porphyry deposit located in north-central British Columbia. Pursuant to the SPA (Note 3), the Company is purchasing POSCO's remaining interest in KCC, the company which owns the Kwanika Project.

(iii) East Niv

The Company acquired East Niv, located in British Columbia, by staking in 2018. In 2021, the Company staked an additional 16 claims.

(iv) Lorraine Project

The Lorraine project comprises two contiguous properties in British Columbia, the Lorraine-Jajay and the Tam-Misty properties. The Company owns 100% of the Lorraine-Jajay property, and the Company owns 90% of the adjacent Tam-Misty property, with Commander Resources holding a 10% carried interest. The Tam-Misty property is subject to a 3% NSR royalty, which can be reduced to 1% NSR royalty.

Pursuant to the terms of an agreement between the Company's subsidiary Sun Metals and Teck Resources Limited ("Teck" and the "Teck Agreement" respectively), dated November 26, 2020, Sun Metals acquired Teck's 51% joint venture interest in the Lorraine Project in exchange for $1,500,000 that was payable in cash or common shares over a two-year period. At the date of acquisition of Sun Metals, $1,000,000 remained payable in two tranches to Teck. On November 25, 2021, the Company issued 555,672 common shares with a fair value of $500,000 to Teck to settle one of the two remaining tranches.

The Company is to make the final payment of $500,000 to Teck, in cash or common shares, on November 25, 2022, and the fair value of the remaining consideration, being $496,801 (discounted at a rate of 7%), has been included in accounts payable and accrued liabilities at March 31, 2022.

The Company may also make the following contingent milestone payments to Teck in either cash or common shares of the Company:

- $500,000 upon a Preliminary Economic Assessment;
- $2,000,000 upon a Feasibility Study; and
- $5,000,000 upon a construction decision.

Such contingent amounts are not accrued at March 31, 2022, and will be recorded only at such date that meeting the associated milestone is reasonably certain.

Pursuant to the terms of the acquisition, Teck has also retained a 1.0% net smelter return ("NSR") royalty on all claims that are not already burdened by a royalty and a 0.25% NSR royalty on all claims that are subject to existing royalties. Additionally, if the Company sells or options all or a portion of the property to a third party at any time during a 60-month period commencing from the date of the Teck Agreement, the Company will pay to Teck 20% of the sale proceeds, net of exploration expenses incurred on the property by the Company following closing.

(v) Milligan West

The Company owns a 56.3% interest in the Milligan West property, an unincorporated 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.

6. Exploration and evaluation assets and expenditures (cont'd)

(vi) Top Cat

On July 12, 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. On July 13, 2020, the Company paid $22,000, and on July 20, 2021, paid $25,000;
- 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, and on July 20, 2021, the Company issued 50,000 shares with a fair value of $35,000;
- 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.

(vii) Net Smelter Return Royalties ("NSR's") – Thor Marmot and Deer Lake Properties

During the year ended February 28, 2019, the Company acquired NSRs 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.

(viii) Okeover Property

On March 11, 2022, the Company received 267,159 common shares with a fair value of $253,801 (and a deemed value of $250,000) from Alpha Copper Corp. ("Alpha"), a CSE-listed company (the "Alpha Shares"), representing the first payment under a property option agreement dated January 13, 2022, among Eastfield Resources Ltd., Alpha and the Company (the "Option Agreement").

Pursuant to the terms of the Option Agreement, Alpha may acquire a 100% interest in the Okeover property, subject to 2% NSR to be retained by the Company (the "NSR Royalty"), by issuing the following additional common shares and incurring the following expenditures:

1. Issuing common shares with a value of $500,000 on or before March 11, 2023;
2. Issuing common shares with a value of $750,000 on or before March 11, 2024;
3. Issuing additional common shares such that NorthWest holds a 10% interest in Alpha on or before March 11, 2025; and
4. Incurring staged expenditures of not less than $5,000,000 on or before March 11, 2025.

The issuance of the next $500,000 in common shares and the first $500,000 in expenditures are obligations of Alpha pursuant to the Option Agreement. The Company has recorded a receivable for the next $500,000 in shares at March 31, 2022. The NSR Royalty will entitle the Company to a 2% royalty on the sale of all ores, doré, concentrates, metals, minerals and mineral by-products that are produced or extracted by or on behalf of Alpha from the Property, which may be bought down by Alpha by one half with a cash payment of $1,000,000.

As there was no capitalized cost associated with the Okeover property, the value of the Alpha Shares received, and the committed receivable is recorded as a gain on option of mineral property in the

(Expressed in Canadian Dollars)

6. Exploration and evaluation assets and expenditures (cont'd)

statement of loss. The Alpha Shares are classified as fair value through profit and loss financial instruments and are recorded as a marketable security in the statement of financial position, with gains and losses resulting from the change in fair value recorded in the loss for the period. The fair value of the Alpha Shares at March 31, 2022, was $261,815, which was determined by reference to their quoted closing market price at the reporting date.

(ix) Other Properties

In addition to the Okeover property discussed above, the Company also holds a 100% interest in several other properties located in British Columbia, including the Arjay, Tchentlo and Croy-Bloom properties.

7. Reclamation deposits and closure and reclamation provision

The Company has posted bonds and investment certificates to provide for certain potential current and future reclamation liabilities as agreed with the Province of British Columbia – Ministry of Energy, Mines and Petroleum Resources. The deposits are considered long-term, regardless of their term, as the funds will remain on deposit until any potential obligation is extinguished.

		March 31, 2022
Balance, beginning	$	250,396
Reclamation deposits acquired from Sun Metals		-
Reclamation deposits on consolidation of Kwanika		60,500
Balance, ending	$	310,896

The Company has recorded a provision for closure and reclamation related primarily to its Stardust Project in the amount of $133,493, being the best estimate of the costs required in relation to disturbances to date. As the Company does not have a set timeline as to when any such reclamation activities will occur it has recognized the full amount of the provision and has not discounted the provision. The Company does not expect to incur any reclamation costs in the next year.

8. Leases

The Company leases assets such as office space. These assets are classified as property, plant and equipment in the statement of financial position.

The Company's previously leased office was 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 to May 31, 2021, 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 during the three months ended February 28, 2021.

The Company's current lease with respect to its head office premises is paid to Oxygen pursuant to the Oxygen Agreement (Note 10):

		March 31 2022		**December 31, 2021**
Current portion	$	107,511	$	105,390
Long term portion		57,057		84,744
	$	164,568	$	190,134

(Expressed in Canadian Dollars)

8. Leases (cont'd)

		March 31 2022
Balance, beginning	$	190,134
Principal payments		(29,198)
Recognition of liability		-
Finance charge		3,632
Balance, ending	$	164,568

Minimum lease payments in respect of the above head office lease liability and the effects of discounting are as follows:

	Up to 1 year	1 - 3 years	Total
Minimum lease payments	$ 116,791	$ 58,396	$ 175,187
Finance Charge	(9,280)	(1,339)	(7,941)
Total Payments	**$ 107,511**	**$ 57,057**	**$ 164,568**

Total undiscounted lease payments exclude leases that are classified as short-term and leases for low value assets, which are not recognized as lease liabilities. For the three months ended March 31, 2022, the Company recognized $3,633 in interest expense on lease liabilities (three months ended February 28, 2021 - $1,914). The Company's lease with respect to its head office premises includes variable payments that do not depend on an index or rate. As such, these payments have been excluded from the lease liability. The Company expensed $20,744 of variable lease payments for the three months ended March 31, 2022.

9. Share capital and reserves

Authorized share capital

An unlimited number of common shares without par value and 20,000,000 preferred shares.

Issued share capital

<u>*Three months ended March 31, 2022*</u>

At March 31, 2022, there were 151,581,880 issued and fully paid common shares, and nil preferred shares.

i) On February 23, 2022, the Company issued 5,194,805 common shares with a fair value of $3,324,675 pursuant to the SPA with POSCO (Note 3).

ii) During the three months ended March 31, 2022, 475,000 stock options were exercised for gross proceeds of $153,300 and 552,446 warrants were exercised for gross proceeds of $287,272. The weighted average share price on the date the stock options were exercised during the period was $0.65 and the weighted average share price on the date the warrants were exercised during the period was $0.70.

<u>*Three months ended February 28, 2021*</u>

At February 28, 2021, there were 55,901,589 issued and fully paid common shares (Note 1), and nil preferred shares.

i) During the three months ended February 28, 2021, 600,000 stock options were exercised for gross proceeds of $119,250 and 101,425 warrants were exercised for gross proceeds of $52,212. The weighted average share price on the date the stock options were exercised during the period was $0.75 and the weighted average share price on the date the warrants were exercised during the period was $0.93.

(Expressed in Canadian Dollars)

9. Share capital and reserves (cont'd)

Warrants

The changes in warrants during the three months ended March 31, 2022, are as follows:

	March 31, 2022	
	Number of warrants	**Weighted average exercise price**
Warrants outstanding, beginning	14,802,384	$ 1.06
Warrants exercised	(552,446)	0.52
Warrants expired	(14,594)	0.52
Warrants outstanding, ending	**14,235,344**	**$ 1.08**

Warrants outstanding at March 31, 2022, are as follows:

Number of warrants	**Exercise price**	**Expiry date**
757,338	$0.56	May 25, 2022
8,852,625	$0.84	December 17, 2022
4,625,381	$1.63	May 2, 2023
14,235,344		

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. 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 three months ended March 31, 2022, are as follows:

	March 31, 2022	
	Number of options	**Weighted average exercise price**
Options outstanding, beginning	12,533,540	$ 0.82
Options granted	400,000	0.67
Options exercised	(475,000)	0.32
Options expired	(361,200)	1.13
Options forfeited	(215,000)	0.88
Options outstanding, ending	**11,882,340**	**$ 0.83**
Options exercisable, ending	**7,655,673**	**$ 0.82**

(Expressed in Canadian Dollars)

9. Share capital and reserves (cont'd)

Details of options outstanding as at March 31, 2022, are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
$0.30 - $0.60	1.93 years	1,504,490	1,504,490
$0.61 - $0.90	4.19 years	9,292,100	5,065,433
$1.17 - $2.14	1.25 years	1,085,750	1,085,750
	3.63 years	11,882,340	7,655,673

The fair value of options granted was determined using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other weighted average assumptions for the options granted in the three months ended March 31, 2022, were as follows:

Expected life of options in years	5
Annualized volatility[1]	85.5%
Risk-free interest rate	2.0%
Weighted average Black-Scholes fair value	$0.45

[1] Volatility was determined using the average historic volatility of the Company's share price over the same period of time as the expected life of the option.

Stock options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The following option grant is subject to alternate vesting provisions:

1. The 400,000 options granted on March 14, 2022, were granted to a non-executive director and vested immediately.

The Company recorded share-based payment expense related to stock options for the three months ended March 31, 2022, of $609,694 (three months ended February 28, 2021 - $1,156).

Deferred Share Units ("DSU")

The Company has established a deferred share unit plan (the "DSU Plan") whereby the board of directors may, from time to time, grant DSUs to non-employee directors of the Company. The DSUs vest immediately and can be redeemed by the holder for no consideration during the period commencing immediately following a termination of the holders' position as a director and ending on the 90th day following such termination date.

A summary of DSU activity during the period is as follows:

	Number of DSUs
Outstanding balance – December 31, 2021 and March 31, 2022	**1,000,000**

DSU expense for the three months ended March 31, 2022, was $nil (three months ended February 28, 2021 - $nil).

(Expressed in Canadian Dollars)

9. Share capital and reserves (cont'd)

Restricted Share Units ("RSU")

The Company has established a restricted share unit plan (the "RSU Plan") whereby the board of directors may, from time to time, grant RSUs to employees, consultants or directors of the Company. The board of directors may determine the time during which the RSUs shall vest and the method of vesting, or that no vesting restriction shall exist.

A summary of RSU activity during the period is as follows:

	Number of RSUs
Outstanding balance – December 31, 2021	3,350,000
Forfeited	(75,000)
Outstanding balance – March 31, 2022	**3,275,000**

RSUs granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date.

RSU expense for the three months ended March 31, 2022, was $358,743 (three months ended February 28, 2021 - $nil).

The current combined maximum number of common shares authorized for issue under the RSU and DSU plans is 5,510,964.

Reserves

The share-based payment reserve comprises 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 remains in 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:

		March 31 2022
Balance, beginning	$	5,649,804
Additions		-
Recognition of flow-through share premium		(333,391)
Balance, ending	$	5,316,413

As at March 31, 2022, the Company is committed to incur qualifying Canadian exploration expenditures (as defined by the Income Tax Act (Canada)), on a best-efforts basis, of approximately $18,450,000 in connection with its December 2, 2021 flow-through offering by December 31, 2022 (February 28, 2021 - $149,000 by December 31, 2021). If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

(Expressed in Canadian Dollars)

10. Related party transactions

In addition to balances and transactions disclosed in Note 8 to these condensed interim consolidated financial statements, the Company has the following related party balances and transactions as at March 31, 2022 and December 31, 2021, and for the three months ended March 31, 2022 and February 28, 2021.

Related party balances

Oxygen Capital Corp ("Oxygen") is a private company owned by two directors of the Company and provides technical and administrative services to the Company under a Technical and Administrative Services Agreement dated September 1, 2021 (the "Oxygen Agreement") at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at March 31, 2022, Oxygen holds a refundable security deposit of $112,500 on behalf of the Company (December 31, 2021 - $112,500) which is recorded as a long-term deposit in the statement of financial position as there is no expectation such deposit will be refunded within the next year.

The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, the Company's share of committed lease costs, any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement, and the Company's share of any contractual obligations entered into on its behalf by Oxygen.

During the three months ended March 31, 2022, a total of $80,511 was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company (three months ended February 28, 2021 – $nil). Such amount includes the reimbursement of lease related expenses disclosed in Note 8. As at March 31, 2022, the Company has a payable amount to Oxygen of $36,305 (December 31, 2021 – $27,954). This amount was paid subsequent to March 31, 2022.

Key management personnel compensation – paid or accrued

Key management includes the members of the Board of Directors, the President and Chief Executive Officer, the Chief Financial Officer, the Vice President, Exploration and the Vice President, Sustainability. The aggregate total compensation paid or payable to key management for services is as follows:

	Three Months ended March 31, 2022	Three Months ended February 28, 2021
Salaries and management consulting fees	$ 211,250	$ 121,122
Termination payment - D.Moore	-	3,000
Director fees	77,917	19,000
Non-cash share-based payments	708,093	-
	$ 997,260	$ 143,122

11. Segmented information

The Company conducts its business in a single operating segment which is the mineral exploration business in Canada. The Company's exploration and evaluation assets are located in Canada.

12. Financial instruments

The Company's financial instruments consists of cash, short term investments, marketable securities, receivables, deposits, trade payables and term loan payable, with the carrying amounts presented in the statement of financial position approximating their respective fair values because of their relatively short-term nature on the instruments.

There are three levels of the fair value hierarchy as follows:

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

The Alpha Shares (Note 6(c)(viii)) are a financial instrument measured at fair value through profit and loss using Level 1 inputs as Alpha Copper is listed on the CSE market. Other than the impact of the change in Alpha's share price, no factors affecting the fair value of the Alpha Shares in the time from the initial recognition to the period end were identified. Other than the Alpha Shares, the Company does not have any financial instrument assets or liabilities measured and recognized in the statement of financial position at fair value.

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 is exposed to credit risk is on its cash, short-term investments, receivables and deposits. The majority of cash and short-term investments is deposited in bank accounts at a major bank in Canada for which there is low credit risk. 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 a major bank that is a high credit quality financial institution as determined by rating agencies.

The Company is also exposed to credit risk with respect to receivables and deposits. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable and has no provision for credit loss recorded at March 31, 2022, or December 31, 2021. The Company's deposits are with the government or financial institutions for reclamation and with a related party for which 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. See Note 1 Going Concern.

The Company's cash and short-term investments are liquid and available to meet the Company's ongoing obligations. The contractual maturities of the Company's trade payables and accrued liabilities are less than one year and the contractual maturities of the Company's lease obligations are disclosed in Note 8. The

12. Financial instruments (cont'd)

Company's term loan is in relation to the Canadian government's COVID-19 financial assistance program. The 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.

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 primarily exposed to interest rate risk with respect to interest earned on cash. A 1% change in the interest rate during the three months ended March 31, 2022, or three months ended February 28, 2021, would not have had a material impact on the Company.

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. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to explore its mineral property interests and continue its operations for the benefit of its shareholders. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

13. Subsequent events

Share capital transactions

a) On April 25, 2022, the Company completed the second issuance of shares ("Tranche 2") to POSCO pursuant to the SPA by issuing 5,934,718 common shares. All common shares issued under the SPA are subject to a hold period of four months and one day from the date of issuance.

b) On April 25, 2022, the Company granted 150,000 stock options with an exercise price of $0.65 and 50,000 RSUs to an employee of the Company. The stock options vest over three years and expire after 5 years. The RSUs vest over three years and expire on May 25, 2025.

c) Subsequent to March 31, 2022, 50,525 vested stock options with a weighted average exercise price of $1.13 expired and 90,000 unvested stock options with a weighted average exercise price of $0.86 were forfeited due to employee departures.

d) Subsequent to March 31, 2022, 757,338 warrants with an exercise price of $0.70 expired.