



Consolidated Financial Statements
(expressed in Canadian dollars)

For the Years Ended March 31, 2021 and 2020

Independent Auditor's Report

To the Shareholders of Surge Copper Corp.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is James D. Gray.

A handwritten signature in cursive script that reads "De Visser Gray LLP". The signature is written in dark ink and is positioned above the company name.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
July 23, 2021

SURGE COPPER CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(expressed in Canadian dollars)
For the Years Ended March 31, 2021 and 2020

	Note	As at March 31,	
		2021	2020
ASSETS			
Current			
Cash and cash equivalents	15	\$ 3,274,777	\$ 35,045
GST receivable		114,423	1,726
Other receivable	6,10	23,030	-
Prepaid expenses		135,175	18,576
Total Current Assets		3,547,405	55,347
Exploration and evaluation costs	5,6	30,311,937	21,931,075
Right-of-use asset	8	21,909	65,725
Equipment and camp buildings	7	24,916	20,121
Total Non-Current Assets		30,358,762	22,016,921
Total Assets		\$ 33,906,167	\$ 22,072,268
LIABILITIES			
Current			
Trade and other payables	9	\$ 129,403	\$ 33,592
Flow-through premium liability	15	276,525	-
Current portion of lease liability	8	25,217	48,578
Total Current Liabilities		431,145	82,170
Lease obligation liability	8	-	25,217
Deferred income tax liability	15	1,514,000	223,000
Total Non-Current Liabilities		1,514,000	248,217
Total Liabilities		1,945,145	330,387
SHAREHOLDERS' EQUITY			
Share capital	11	48,151,688	35,649,889
Contributed surplus	11	8,169,534	4,649,100
Deficit		(24,360,200)	(18,557,108)
Total Shareholders' Equity		31,961,022	21,741,881
Total Liabilities and Shareholders' Equity		\$ 33,906,167	\$ 22,072,268
Corporate information and nature of operations	1		
Subsequent events	18		
Signed on behalf of the Board by:			
"Shane Ebert"	Director		
"Jim Pettit"	Director		

See accompanying notes to the consolidated financial statements.

SURGE COPPER CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(expressed in Canadian dollars)
For the Years Ended March 31, 2021 and 2020

		For the years ended March 31,	
	Note	2021	2020
EXPENSES			
Amortization		\$ 51,521	\$ 51,485
Consulting fees	17	794,683	-
Investor relations		117,003	14,191
Management and administration fees	10	275,736	103,272
Office		41,278	41,109
Professional fees		52,490	13,907
Share-based payments	10	3,680,473	-
Transfer agent and filing fees		65,734	19,767
Travel and promotion		-	4,739
		(5,078,918)	(248,470)
OTHER INCOME:			
Interest income		-	1,487
Interest expense		(2,677)	(238)
Rental income		12,600	12,000
Miscellaneous revenue		1,028	6,284
Other income on realization of flow-through premium liability	15	555,875	-
LOSS BEFORE INCOME TAXES		(4,512,092)	(228,937)
INCOME TAX (EXPENSE) RECOVERY	15	(1,291,000)	59,000
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		\$ (5,803,092)	\$ (169,937)
LOSS PER SHARE - BASIC		\$ (0.06)	\$ (0.00)
LOSS PER SHARE - DILUTED		\$ (0.04)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		91,037,994	59,268,544

See accompanying notes to the consolidated financial statements.

SURGE COPPER CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(expressed in Canadian dollars)
For the Years Ended March 31, 2021 and 2020

	For the years Ended March 31,	
	2021	2020
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss for the year	\$ (5,803,092)	\$ (169,937)
Items not affecting cash:		
Share-based payments	3,680,473	-
Amortization	51,521	51,485
Flow-through premium	(555,875)	
Deferred income taxes	1,291,000	(59,000)
	(1,335,973)	(177,452)
Changes in non-cash working capital and other items:		
GST receivable	(112,697)	524
Other receivables	(3,780)	160,341
Prepaid expenses	(116,599)	-
Trade and other payables	95,811	(26,789)
Cash used in operating activities	(1,473,238)	(43,376)
INVESTING ACTIVITIES		
Exploration and evaluation costs	(4,358,729)	(7,588)
Property acquisition costs	(22,133)	-
Asset purchase	(12,500)	-
Cash used in investing activities	(4,393,362)	(7,588)
FINANCING ACTIVITIES		
Proceeds from share issuances	9,267,550	124,550
Share issue costs	(112,640)	(1,354)
Payment of lease liability	(48,578)	(45,281)
Cash provided by financing activities	9,106,332	77,915
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,239,732	26,951
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	35,045	8,094
CASH AND CASH EQUIVALENTS - END OF THE YEAR	\$ 3,274,777	\$ 35,045

See accompanying notes to the consolidated financial statements.

SURGE COPPER CORP.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(expressed in Canadian dollars)

For the Years Ended March 31, 2021 and 2020

	Number of	Capital	Contributed		Total Equity
	Shares	Stock	Surplus	Deficit	
Balance, April 1, 2020	59,458,659	\$ 35,649,889	\$ 4,649,100	\$ (18,557,108)	\$ 21,741,881
Issued for cash – non-flow through shares	8,354,654	770,510	-	-	770,510
Issued for cash – flow through shares	43,239,996	6,291,600	-	-	6,291,600
Flow-through share premiums	-	(832,400)	-	-	(832,400)
Share purchase warrant exercises	13,857,886	2,045,841	-	-	2,045,841
Stock option exercises	1,005,000	201,657	(90,307)	-	111,350
Agent warrant exercises	450,000	137,232	(69,732)	-	67,500
Berg property acquisition shares	6,825,939	4,000,000	-	-	4,000,000
Share-based payments	-	-	3,680,473	-	3,680,473
Share issue costs	-	(112,641)	-	-	(112,641)
Net loss and comprehensive loss for the period	-	-	-	(5,803,092)	(5,803,092)
Balance, March 31, 2021	133,192,134	\$ 48,151,688	\$ 8,169,534	\$ (24,360,200)	\$ 31,961,022
Balance, April 1, 2019	57,679,373	\$ 35,526,693	\$ 4,649,100	\$ (18,377,636)	\$ 21,798,157
Adjustment – implementation of IFRS 16	-	-	-	(9,535)	(9,535)
Restated opening balance under IFRS 16	57,679,373	\$ 35,526,693	\$ 4,649,100	\$ (18,387,171)	\$ 21,788,622
Issued for cash – non-flow through shares	1,779,286	124,550	-	-	124,550
Share issue costs	-	(1,354)	-	-	(1,354)
Net loss and comprehensive loss for the period	-	-	-	(169,937)	(169,937)
Balance, March 31, 2020	59,458,659	\$ 35,649,889	\$ 4,649,100	\$ (18,557,108)	\$ 21,741,881

See accompanying notes to consolidated financial statements

SURGE COPPER CORP.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years ended March 31, 2021 and 2020

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

The Company is engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties and attainment of profitable operations is principally dependent upon financing being arranged by the Company to continue operations, explore and develop the mineral properties and the discovery, development and sale of ore reserves.

The Company was incorporated under the Business Corporations Act of British Columbia by Certificate of Incorporation dated November 29, 1965. The Company is listed on the TSX Venture Exchange ("TSX-V"), having the symbol GRV-V, as a Tier 2 mining issuer.

The address of the Company's corporate office and principal place of business is Suite 888 - 700 West Georgia Street, Vancouver, British Columbia, V7Y 1G5.

The Company has incurred losses since inception, has no recurring source of revenue and has an accumulated deficit of \$24,360,200 as at March 31, 2021. The Company will need to raise sufficient funds in order to finance ongoing exploration, development and administrative expenses. The Company has no assurance that such financing will be available or be available on favorable terms. Factors that could affect the availability of financing include the Company's performance, the state of international debt and equity markets, investor perceptions and expectations and the global financial and metals markets. The Company's most likely source of additional financing is the issuance of additional equity. Though the Company has been successful in raising capital in the past, there is no certainty that it will continue to be able to do so.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The audited annual consolidated financial statements of the Company for the year ending March 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Board of Directors on July 23, 2021.

SURGE COPPER CORP.

Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years ended March 31, 2021 and 2020

2. BASIS OF PREPARATION (continued)

(b) Basis of Presentation and Measurement

These consolidated financial statements have been prepared on a historical cost basis and include the accounts of the Company and its wholly-owned subsidiary, Ootsa Ventures Ltd. All material intercompany accounts and transactions have been eliminated.

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiary.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash and Cash Equivalents

Cash and cash equivalents include all cash accounts, which are not subject to withdrawal restrictions or penalties, and all short-term highly liquid investments with original maturities to the holder of three months or less, and which can be converted into known amounts of cash.

(b) Exploration and Evaluation Expenditures

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

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Notes to the Consolidated Financial Statements
(expressed in Canadian dollars)
For the Years ended March 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Exploration and Evaluation Expenditures (continued)

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

The Company assesses exploration and evaluation costs for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation costs are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

The Company may qualify for refundable tax credits based on qualifying exploration work incurred. Such amounts are accrued as receivable when they can be readily estimated, and collection can be reasonably assured, with such recoveries offsetting the exploration costs incurred.

(c) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation costs are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

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Notes to the Consolidated Financial Statements
(expressed in Canadian dollars)
For the Years ended March 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Equipment

Recognition and Measurement

On initial recognition, property, plant and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Major Maintenance and Repairs

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. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Gains and Losses

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income/expense in profit or loss.

Depreciation

The Company provides for depreciation using the following method and annual rates:

Office equipment	declining balance method	30%
Camp vehicles and equipment	declining balance method	20-30%
Camp buildings/septic	5-year straight line	20%
Bridge	10-year straight line	10%

Additions during the year are depreciated at one-half the annual rate. Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

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Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years ended March 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Estimations of future costs can only be made when specified work requirements, timelines and outcomes are known on a measurable basis. When such variables associated with future reclamation obligations cannot be determined, no liability is recorded.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(f) Share-based Payment Transactions

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period.

Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

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Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years ended March 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Share-based Payment Transactions (continued)

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(g) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net loss/income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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Notes to the Consolidated Financial Statements

(expressed in Canadian dollars)

For the Years ended March 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Taxes (continued)

deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Basic and Diluted Loss per Share:

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Potentially dilutive common shares related to warrants and options outstanding totaled 58,382,387 at March 31, 2021 (March 31, 2020 – 18,554,108) were not included in the computation of diluted loss per share because their effect was anti-dilutive.

(i) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument. On initial recognition, financial assets are classified and measured at amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities classified as FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are recognized immediately in the statement of loss and comprehensive loss.

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Notes to the Consolidated Financial Statements
(expressed in Canadian dollars)
For the Years ended March 31, 2021 and 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments (continued)

The Company's financial instruments are classified and subsequently measured as follows:

Account	Classification
Cash	Amortized cost
Amounts receivable (excluding sales tax receivable)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Impairment

The Company recognizes an allowance using the Expected Credit Loss ("ECL") model on financial assets classified as amortized cost. The Company has elected to use the simplified approach for measuring ECL by using a lifetime expected loss allowance for all amounts recoverable. Under this model, impairment provisions are based on credit risk characteristics and days past due. When there is no reasonable expectation of collection, financial assets classified as amortized cost are written off. Indications of credit risk arise based on failure to pay and other factors. Should objective events occur after an impairment loss is recognized, a reversal of impairment is recognized in the statement of loss and comprehensive loss.

(j) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Flow-through Shares

The Company will from time-to-time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes this liability and recognizes this premium as other income, offsetting any expense associated with the Company's expenditure of the flow-through proceeds.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Share Capital (continued)

The fair value of the common shares issued in the private placement were determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the related amount is reclassified as share capital.

If the warrants are issued as share issuance costs, the fair value will be recorded as contributed surplus using the Black-Scholes option pricing model. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in contributed surplus.

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

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

(k) Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (a) the Company has elected not to recognize right-of-use assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (b) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The right-of-use asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use asset is amortized over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the right-of-use asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss/income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

- Exploration and Evaluation Costs

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether circumstances exist that cast doubt as to the Company's ability to continue to positively advance its exploration projects towards economic viability, and the ultimate recovery of the aggregate costs incurred to date on those projects. Such judgments are based on assumptions about future events or circumstances and these assumptions made may change if new information becomes available.

- Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

The key estimates applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- British Columbia Mining Exploration Tax Credits ("BCMETC") Claim

The Company has, in past fiscal years, recorded the amount of the BCMETC claims as receivable on the assumption that it will receive the full BCMETC claim similar to refunds claimed and received in previous years. However, if the amount is reviewed by taxation authorities, reductions in the amounts recoverable are possible. Such outcomes are not possible to predict in advance.

- Incremental Borrowing Rate

The Company is not typically involved in commercial debt transactions and therefore its cost of debt, utilized to record certain lease obligations, is an estimated value.

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5. RECLAMATION BONDS

Included in Mineral Exploration and Evaluation Costs as at March 31, 2021, is the Company's aggregate of reclamation bonds posted with the Mining and Minerals Division of the British Columbia Government in the amount of \$169,900 (March 31, 2020 - \$169,900).

The bonds cover the future site restoration costs with respect to the Seel and Ox Lake Claims, collectively known as the Ootsa Property. All or part of the \$169,900 can be recovered subject to the inspection of the sites and assessment of the restoration costs by the Mining and Minerals Division of the British Columbia Government.

The bonds have not been discounted from their future value because the Company has no basis to estimate their settlement date.

6. MINERAL PROPERTY INTERESTS

Ootsa Property, British Columbia

As at March 31, 2021, the Company owned a 100% interest in the Ootsa Property, located in central British Columbia, comprised of 133 mineral claims totalling 85,357.8 hectares.

Beyond claims acquired by staking, material transactions and royalty obligations in respect to this property are:

- 14 claims totalling 574.6 hectares, known as the Ox claims, are subject to a 2% Net Smelter Returns ("NSR") royalty. The purchase agreement with the vendor, Silver Standard Resources Inc., ("Silver") entitles the Company to purchase 50% of the 2% NSR from Silver at any time by the payment to Silver of \$500,000. The Company may purchase the remaining 1% NSR at any time by payment to Silver of an additional \$1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.
- There are five claims totalling 3,450.4 hectares, known as the Seel claims, which are subject to a 1% NSR. The Company is entitled at any time to purchase 50% of this 1% NSR for \$1,000,000. There is an associated Area of Interest with these claims, defined as the area lying within a distance of one kilometre from the external boundaries of the claims.
- Two additional claims known as the Swing claims (the "Captain Mine") totalling 383.4 hectares, purchased in March 2014, are subject to a 2% NSR. The purchase agreement with the vendor entitles the Company to purchase 50% of the 2% NSR from the vendor at any time by the payment to the vendor of \$500,000 or the Company may purchase the entire 2% NSR at any time by payment to the vendor of \$1,000,000.
- The Troitsa Peak claim totalling 211.3 hectares and purchased in December 2014 is subject to a 1% NSR, half of which can be bought back at any time by the Company for \$500,000.

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6. MINERAL PROPERTY INTERESTS (continued)

Ootsa Property, British Columbia (continued)

- On August 5, 2016, the Company acquired one claim for total consideration of \$3,000, adding a total of 76.7 hectares.

Auro Property, British Columbia

In March 2012, the Company sold all of its mineral interests known as the Auro and Auro South properties to New Gold Inc. Under the terms of the purchase agreement, the Company retained a 2% NSR on these properties.

Berg Property, British Columbia

On December 15, 2020, the Company entered into a definitive option agreement to acquire a 70% interest in the Berg Property, 34,798 hectares in size and contiguous with the Ootsa Property, from Thompson Creek Metals Company Inc., a wholly owned subsidiary of Centerra Gold Inc. Under the terms of the option Surge must issue C\$5 million in common shares of Surge and spend C\$8 million on exploration, over a period of up to five years as outlined in the following table:

Date for Completion	Value of Common Shares to be issued	Minimum Exploration Expenditures to be Incurred
Within 5 days of the Approval Date	\$4,000,000 (6,825,939 common shares issued)	\$Nil
On or before the first anniversary of the Effective Date ⁽¹⁾	\$200,000	\$Nil
On or before the second anniversary of the Effective Date ⁽¹⁾	\$200,000	\$2,000,000 ⁽²⁾
On or before the third anniversary of the Effective Date ⁽¹⁾	\$200,000	\$2,000,000
On or before the fourth anniversary of the Effective Date ⁽¹⁾	\$200,000	\$2,000,000
On or before the fifth anniversary of the Effective Date ⁽¹⁾	\$200,000	\$2,000,000
Total	\$5,000,000	\$8,000,000

(1) "Effective Date" means the date of the agreement, December 15, 2020.
(2) \$1,000,000 of the expenditures are a firm commitment.

On December 21, 2020, the Company issued 6,825,939 common shares valued at an aggregate of C\$4 million dollars.

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6. MINERAL PROPERTY INTERESTS (continued)**British Columbia Mineral Tax Credits (“BCMETC”)**

The completion of certain qualified exploration costs by the Company entitles it to refundable tax credits as part of an exploration incentive plan offered by the Province of British Columbia. In May 2020 the Company filed a BCMETC claim with the Canada Revenue Agency seeking \$1,076 in qualified refundable tax credits for the year ended March 31, 2020. In February 2021 the entire amount was received. No amount has been accrued for 2021.

Expenditures on mineral property acquisition and deferred exploration and development costs for the year ended March 31, 2021 and for the year ended March 31, 2020 are as follows:

Fiscal 2021

	Ootsa Property	Berg Property	Total
Property acquisition costs:			
Balance, beginning of the period	\$ 1,150,204	\$ -	\$ 1,150,204
Cash costs	22,133	-	22,133
Shares issued	-	4,000,000	4,000,000
Balance, end of the period	1,172,337	4,000,000	5,172,337
Deferred exploration and evaluation costs:			
Balance, beginning of the period	20,780,871	-	20,780,871
Incurred during the period:			
Drilling	2,355,726	-	2,355,726
Barge	144,502	-	144,502
Geology	49,827	-	49,827
Geophysics	165,360	-	165,360
Consulting fees – First Nations	50,000	-	50,000
Field costs	452,822	4,909	457,731
Assaying	289,104	-	289,104
Travel	14,046	-	14,046
Camp costs	231,112	-	231,112
Fuel	231,721	-	231,721
Insurance	3,131	-	3,131
Wages and related expenses	367,545	-	367,545
BCMETC	(1,076)	-	(1,076)
Total expenditures during the period	4,353,820	4,909	4,358,729
Balance, end of the period	25,134,691	4,909	25,139,600
Total deferred costs, end of the period	\$ 26,307,028	\$ 4,004,909	\$ 30,311,937

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6. MINERAL PROPERTY INTERESTS (continued)**Fiscal 2020**

	Ootsa Property	Berg Property	Total
Property acquisition costs:			
Balance, beginning of the period	\$ 1,150,204	\$ -	\$ 1,150,204
Cash costs	-	-	-
Balance, end of the period	1,150,204	-	1,150,204
Deferred exploration and evaluation costs:			
Balance, beginning of the period	20,773,283	-	20,773,283
Incurred during the period:			
Assaying	1,142	-	1,142
Camp costs	5,954	-	5,954
Fuel	492	-	492
Total expenditures during the period	7,588	-	7,588
Balance, end of the period	20,780,871	-	20,780,871
Total deferred costs, end of the period	\$ 21,931,075	\$ -	\$ 21,931,075

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7. EQUIPMENT AND CAMP BUILDINGS

	Office Equipment	Camp Vehicles and Equipment	Camp Buildings/ Septic	Bridge	Total
Cost					
Balance at March 31, 2019	\$ 41,992	\$ 122,575	\$ 178,838	\$ 32,855	\$ 376,260
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at March 31, 2020	\$ 41,992	\$ 122,575	\$ 178,838	\$ 32,855	\$ 376,260
Additions	-	12,500	-	-	12,500
Disposals	-	-	-	-	-
Balance at March 31, 2021	\$ 41,992	\$ 135,075	\$ 178,838	\$ 32,855	\$ 388,760
Depreciation and impairment					
Balance at March 31, 2019	\$ 38,826	\$ 109,455	\$ 178,838	\$ 21,351	\$ 348,470
Additions	953	3,432	-	3,284	7,669
Disposals	-	-	-	-	-
Balance at March 31, 2020	\$ 39,779	\$ 112,887	\$ 178,838	\$ 24,635	\$ 356,139
Additions	668	3,752	-	3,285	7,705
Disposals	-	-	-	-	-
Balance at March 31, 2021	\$ 40,447	\$ 116,639	\$ 178,838	\$ 27,920	\$ 363,844
Carrying amounts – NBV					
At March 31, 2020	\$ 2,213	\$ 9,688	\$ -	\$ 8,220	\$ 20,121
At March 31, 2021	\$ 1,545	\$ 18,436	\$ -	\$ 4,935	\$ 24,916

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8. RIGHT OF USE ASSET AND LEASE LIABILITY

The Company has an office lease with terms running through September 2021. Upon transition to IFRS 16, the company recognized a right-of-use asset of \$109,541 and a lease liability of \$119,076. The lease liability was discounted using an estimated incremental borrowing rate of 4.25% per annum.

The continuity of the right-of-use asset for the year ended March 31, 2021 is as follows:

	Right-of-use asset	
As at March 31, 2019	\$	-
IFRS 16 adoption		109,541
Amortization		(43,816)
As at March 31, 2020	\$	65,725
Amortization		(43,816)
As at March 31, 2021	\$	21,909

Minimum lease payments in respect of lease liabilities and the effect of discounting as at March 31, 2021 are as follows:

	Lease liability	
Less than one year	\$	25,217
More than one year		-
As at March 31, 2021	\$	25,217

The continuity of the lease liability for the year ended March 31, 2021 is as follows:

	Lease liability	
As at March 31, 2019	\$	-
IFRS 16 adoption		119,076
Principal payments		(45,281)
As at March 31, 2020	\$	73,795
Principal payments		(48,578)
As at March 31, 2021	\$	25,217

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9. TRADE AND OTHER PAYABLES

The Company's trade and other payables on March 31, 2021 and 2020 are as follows:

	Note	As at March 31, 2021	As at March 31, 2020
Trade payables		\$ 114,803	\$ 13,835
Amounts due to related parties	10	-	6,657
Accrued expenses		14,600	13,100
		\$ 129,403	\$ 33,592

Trade payables are comprised principally of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

10. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2021 the following amounts were paid and or accrued to related parties. All comparative amounts are for the year ended March 31, 2020.

- (a) Management wages and director fees of \$231,450 (2020 - \$77,800) were paid to directors or officers of the Company or to companies controlled by directors or officers of the Company.
- (b) Consulting and geological fees of \$29,730 (2020 - \$4,000) were paid to Companies controlled by directors or officers of the Company.
- (c) Administration fees of \$27,600 (2020 - \$18,600) were paid to Companies controlled by directors or officers of the Company.

During the year ended March 31, 2021, the Company earned \$12,600 in office sublease revenue from a company with common officers. At March 31, 2021, this related company owed \$3,780 (2020 - \$Nil) to the Company.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors.

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Notes to the Consolidated Financial Statements

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10. RELATED PARTY TRANSACTIONS (continued)

The Company incurred the following transactions with key management personnel and companies controlled by directors of the Company.

	For the year ended March 31,	
	2021	2020
Key management personnel compensation comprised of:		
Short term employee benefits:		
Management fees – mineral property costs	\$ 29,730	\$ 4,000
Professional fees – administration	27,600	18,600
Management and administration	231,450	77,800
	\$ 288,780	\$ 100,400
Share-based payments	3,048,629	-
	\$ 3,337,409	\$ 100,400

11. SHARE CAPITAL AND CONTRIBUTED SURPLUS

- (a) Authorized: Unlimited number of common shares without par value.
- (b) Issued and Fully Paid

	Number of Shares	Amount
Balance at March 31, 2019	57,679,373	\$ 35,526,693
Issued for cash – non flow through	1,779,286	124,550
Less: share issue costs – cash	-	(1,354)
Balance at March 31, 2020	59,458,659	\$ 35,649,889
Issued for cash – non flow through	8,354,654	770,510
Issued for cash – flow through	43,239,996	6,291,600
Exercise of share purchase warrants	13,857,886	2,045,841
Exercise of incentive stock options	1,005,000	111,350
Value of options exercised	-	90,307
Flow-through share premium	-	(832,400)
Exercise of agent warrants	450,000	67,500
Value of agent warrants exercised	-	69,732
Property acquisition	6,825,939	4,000,000
Less: share issue costs – cash	-	(112,641)
Balance – March 31, 2021	133,192,134	\$ 48,151,688

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11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(b) Issued and Fully Paid (continued)

Transactions during the Year Ended March 31, 2021

- i) On June 3, 2020, the Company completed a non-brokered private placement comprised of 4,508,500 units at a purchase price of \$0.06 per unit for gross proceeds of \$270,510. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.09 at any time on or before June 3, 2023.
- ii) On July 6, 2020, the Company completed a non-brokered flow-through private placement comprised of 3,239,996 flow-through units at a purchase price of \$0.09 per unit for gross proceeds of \$291,600. Each flow-through unit consisted of one flow-through common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of \$0.12 at any time on or before July 6, 2023.
- iii) On October 9, 2020, the Company completed a non-brokered non-flow through private placement comprised of 3,846,154 non-flow through units at a purchase price of \$0.13 per unit for gross proceeds of \$500,000. Each unit consisted of one non-flow through common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.17 at any time on or before October 9, 2023.
- iv) On October 28, 2020, the Company completed a non-brokered flow-through private placement comprised of 40,000,000 flow-through units at a purchase price of \$0.15 per unit for gross proceeds of \$6,000,000. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional non-flow through common share at a price of \$0.17 at any time on or before October 28, 2023.

Transactions during the Year Ended March 31, 2020

- i) On May 9, 2019, the Company completed a non-brokered private placement comprised of 1,779,286 units at a purchase price of \$0.07 per unit for gross proceeds of \$124,550. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.10 at any time on or before May 9, 2022.

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11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(c) Share Purchase Warrants

A continuity schedule of outstanding share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at March 31, 2019	14,886,666	\$0.21
Issued - Unit Offering	1,779,286	\$0.10
Expired	(2,333,333)	\$0.22
Balance at March 31, 2020	14,332,619	\$0.19
Issued – Unit Offering	4,508,500	\$0.09
Issued – Unit Offering	1,620,000	\$0.12
Issued – Unit Offering	3,846,154	\$0.17
Issued – Unit Offering	40,000,000	\$0.17
Expired	(2,050,000)	\$0.40
Expired	(200,000)	\$0.15
Exercised	(13,857,886)	\$0.15
Balance, March 31, 2021	48,199,387	\$0.16

As at March 31, 2021 outstanding share purchase warrants are:

Number of Warrants	Exercise Price	Expiry Date
1,900,000	\$0.18	July 25, 2021
1,489,286	\$0.10	May 9, 2022
1,876,833	\$0.09	June 3, 2023
1,286,668	\$0.12	July 6, 2023
3,026,854	\$0.17	October 9, 2023
38,619,746	\$0.17	October 28, 2023
<u>48,199,387</u>		

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11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**(d) Agents' Warrants**

A continuity schedule of outstanding agents' warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance at March 31, 2019	492,934	\$0.16
Expired	(42,934)	\$0.22
Balance at March 31, 2020	450,000	\$0.15
Exercised	(450,000)	\$0.15
Balance, March 31, 2021	-	-

As at March 31, 2021 there were no outstanding agent warrants.

(e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's balance sheet include 'Contributed Surplus' and 'Accumulated Deficit'.

'Contributed Surplus' is used to recognize the value of stock option grants and share warrants prior to exercise. 'Accumulated Deficit' is used to record the Company's change in deficit from earnings from year to year.

(f) Stock Options

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant.

The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant.

The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSXV).

Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

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11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)**(f) Stock Options (continued)**

A summary of the Company's option transactions for the year ended March 31, 2021 and 2020 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Contractual Life (years)
Balance, March 31, 2019	3,543,000	\$0.13	2.53
Expired	(20,000)	\$0.75	
Balance, March 31, 2020	3,523,000	\$0.13	1.54
Granted	7,965,000	\$0.69	
Exercised	(1,005,000)	\$0.11	
Expired / Cancelled	(300,000)	\$0.14	
Balance, March 31, 2021	10,183,000	\$0.57	3.88

The weighted average share price of options exercised, as at the date of exercise, during the year ended March 31, 2021 was \$0.11.

As at March 31, 2021 outstanding vested stock options are:

Number of Options	Exercise Price	Expiry Date
1,305,000	\$0.155	September 29, 2021
713,000	\$0.12	January 17, 2022
200,000	\$0.10	November 7, 2022
7,965,000	\$0.69	January 4, 2026
<u>10,183,000</u>		

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11. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(f) Stock Options (continued)

The Black-Scholes model inputs for options granted during the year ended March 31, 2021 included:

Grant Date	Expiry Date	Share Price At Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility	Dividend Yield
January 4, 2021	January 4, 2026	\$0.69	\$0.69	0.17	5 years	154.2%	0

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes for future volatility due to publicly available information.

(g) Contributed Surplus

During the year ended March 31, 2021 \$3,680,473 (2020 - \$Nil) was recorded as stock-based compensation related to the granting of 7,965,000 incentive stock options (2020 - Nil). Of this amount, \$3,680,473 (2020 - \$Nil) has been included as an expense in the Consolidated Statement of Comprehensive Loss.

A continuity of contributed surplus is as follows:

	For the Year Ended March 31,	
	2021	2020
Balance, beginning of year	\$ 4,649,100	\$ 4,649,100
Stock-based compensation - expensed	3,680,473	-
Value of options exercised reclassified to share capital	(90,307)	-
Value of agent warrants exercised reclassified to share capital	(69,732)	-
Balance, end of year	\$ 8,169,534	\$ 4,649,100

12. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK

All financial instruments are included on the Company's balance sheet and measured at either fair value or amortized cost.

The Company's financial assets consist of cash and cash equivalents and amounts receivable, which are designated as loans and receivables and measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities and due to related parties, which are designated as other financial liabilities and measured at amortized cost.

The carrying values of the Company's financial instruments measured at amortized costs approximate their fair values due to their short-term nature.

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12. FINANCIAL INSTRUMENTS, MANAGEMENT OF CAPITAL AND FINANCIAL RISK (continued)

The capital of the Company consists of shareholders' equity - \$31,961,022 (March 31, 2020 - \$21,741,881).

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. 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. The Company relies on capital markets to support continued growth.

13. SEGMENTED INFORMATION

During the year ended March 31, 2021 and March 31, 2020 the Company operated in one reportable operating segment, being the acquisition, exploration and development of mineral properties in British Columbia. Administrative expenses and working capital balances are located in Canada.

14. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statements of cash flows.

During the year ended March 31, 2021:

The issuance of 6,825,939 common shares valued at \$4,000,000 for exploration and evaluation assets.

During the year ended March 31, 2020:

No transactions

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15. INCOME TAXES

	For the year ended March 31,	
	2021	2020
Current expense	\$ -	\$ -
Deferred tax expense (recovery)	1,291,000	(59,000)
	<u>\$ 1,291,000</u>	<u>\$ (59,000)</u>

Taxation in the Company's operational jurisdictions is calculated at the rates prevailing in the respective jurisdictions. There is no tax charge arising for the Company for the year.

The difference between tax expense for the year and the expected income taxes based on the statutory tax rates arises as follows:

	For the year ended March 31,	
	2021	2020
Loss before income taxes	\$ (4,512,000)	\$ (229,000)
Income taxed at statutory rates – 27.00% (2020 – 27.00%)	(1,218,000)	(62,000)
Non-deductible expenses	840,000	-
Share issuance costs	(30,000)	-
Exploration and evaluation costs	1,699,000	-
Previously-unrecognized deferred tax liabilities	-	3,000
Deferred tax expense (recovery)	<u>\$ 1,291,000</u>	<u>\$ (59,000)</u>

Effective January 1, 2018, the Canadian Federal corporate tax rate remained at 15.00% and the British Columbia provincial tax rate increased from 11.00% to 12.00%.

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15. INCOME TAXES (continued)

Deferred Tax Assets and Liabilities

The nature and tax effect of the temporary differences giving rise to the deferred tax assets and liabilities as at March 31, 2020 and 2019 are summarized as follows:

	March 31, 2021	March 31, 2020
Non-capital losses	\$ 2,084,000	\$ 1,695,000
Undeducted financing costs	32,000	16,000
Capital assets and other	105,000	103,000
	<u>2,221,000</u>	<u>1,814,000</u>
Exploration and evaluation costs	(3,735,000)	(2,037,000)
Deferred tax liability	<u>\$ (1,514,000)</u>	<u>\$ (223,000)</u>

As at March 31, 2020, the Company has estimated non-capital losses of \$7,721,031 which expire from 2033 to 2040, for tax purposes that may be carried forward to reduce taxable income derived in future years.

The potential benefits of these carry-forward non-capital losses, and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

Flow-through Shares

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

During the year ended March 31, 2021, the Company received \$6,291,600 (2020 - \$Nil) from the issue of flow-through shares, of which \$832,400 was attributed to a premium over the fair value of the shares issued and recorded as a liability for accounting purposes. Of this amount, \$555,875 was subsequently recognized in income as the related expenditures were incurred, and \$276,525 remains outstanding at March 31, 2021 as it relates to remaining flow-through obligations.

At March 31, 2021 the Company has unspent flow-through funds on hand of approximately \$1,782,338, all of which is required to be incurred on qualifying expenditures prior to December 31, 2022.

Funds raised in connection with the flow-through shares must be spent on qualified mineral exploration and are restricted to Canadian Exploration Expenditures as defined in the Canadian Income Tax Act. The expenditures are renounced in favour of investors subscribing for flow-through shares and the amounts are not available to the Company for income tax purposes.

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16. COMMITMENTS AND CONTINGENCIES

Effective with a commencement date of October 1, 2016, the Company is committed to an operating lease on its office premises expiring on September 30, 2021. The Company's lease commitments for the total annual basic lease rate and operating costs are as follows:

2022	\$	26,290
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17. CONSULTING FEES

During the current fiscal year, the Company entered into two capital markets consulting agreements with unrelated parties, both of which required payment in full upon inception but which were also intended to apply to approximate 12-month periods ending in the 2022 fiscal year. Due to measurement uncertainty in respect to the aggregate amount of the unrealized future benefit at March 31, 2021, and consistent with a conservative approach to valuing its assets, the Company has expensed these amounts in the current fiscal year.

18. SUBSEQUENT EVENTS

- On April 1, 2021, the Company executed a definitive asset purchase agreement to acquire 100% interest in 1 mineral claim totalling 76.4 hectares in central British Columbia adjacent to the Company's Berg property. Under the terms of the agreement the Company will issue 500,000 common shares to the vendor (issued April 22, 2021 – valued at \$210,000). The vendor will retain a 2.5% NSR. The Company shall have the right to buy-back 1.5% of the NSR for \$1.5 million.
- On April 5, 2021, the Company executed a definitive asset purchase agreement to acquire 100% interest in 2 mineral claims totalling 1,568.23 hectares in central British Columbia adjacent to the Company's Berg/Ootsa property. Under the terms of the agreement the Company will issue 350,000 common shares to the vendor (issued April 22, 2021 – valued at \$147,000). The vendor will retain a 2% NSR. The Company shall have the right to buy-back 1% of the NSR for \$1.5 million and the remaining 1% for an additional \$2 million.
- On June 9, 2021, the Company completed a bought deal private placement for total gross proceeds of C\$14,014,125, consisting of (i) 4,445,000 units (the "Units") sold at a price of \$0.45 per Unit; (ii) 11,325,000 flow-through units (the "FT units") sold at a price of \$0.53 per FT Unit; and (iii) 9,775,000 charity flow-through units (the "Charity FT Units") sold at a price of \$0.615. Each Unit consists of one common share and one-half of one transferable common share purchase warrant (each whole such common share purchase warrant, a "Warrant"). Each FT Unit consists of one flow-through common share and one-half of one Warrant issued on a flow-through basis. Each Charity FT Unit consists of one charity flow-through common share and one-half of one Warrant issued on a flow-through basis. Each Warrant shall be exercisable into one additional common share for a period of twenty-four months at an exercise price of \$0.60 per Warrant.

The Company has paid a cash commission of \$737,989 and a fiscal advisory fee of \$42,858. In addition, the Company issued 1,339,085 broker warrants and 81,317 fiscal advisory warrants (collectively, the "Compensation Warrants") to the Underwriters. Each Compensation Warrant is exercisable into one additional common share for a period of twenty-four months at an

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18. SUBSEQUENT EVENTS (continued)

exercise price of \$0.45 per Warrant. All securities issued in connection with the Offering are subject to a hold period of four months and one day from closing of the Offering.

- On June 23, 2021, the Company granted 2,725,000 share purchase options, exercisable at \$0.42 per common share until June 23, 2026, to various Company officers, directors and consultants.
- As at July 23, 2021, 1,416,600 share purchase warrants have been exercised for gross proceeds of \$240,822 and 190,000 incentive stock options have been exercised for gross proceeds of \$27,000.