



Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Commander Resources Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Commander Resources Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has incurred ongoing losses and as of December 31, 2021, the Company had an accumulated deficit of \$38,231,588. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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



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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

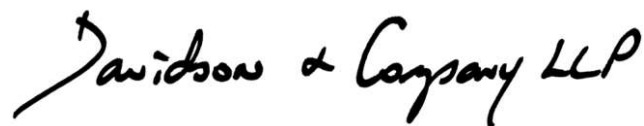
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

February 25, 2022

COMMANDER RESOURCES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT

		December 31, 2021	December 31, 2020
	Note	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		595,840	600,854
Receivables	13	112,923	41,555
Prepaid expenses		34,258	41,719
Marketable securities	3	1,070,220	1,025,380
		1,813,241	1,709,508
Non-current assets			
Reclamation bonds	4	28,000	18,000
Exploration and evaluation assets	4	113,642	146,006
Property and equipment	5	68,488	112,447
		210,130	276,453
TOTAL ASSETS		2,023,371	1,985,961
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		33,543	33,154
Advances from optionees	4(c),(j)	59,536	6,631
Flow through share premium liability	7	8,193	-
Lease liability	5	23,794	32,807
Loan payable	6	40,000	-
		165,066	72,592
Lease liability	5	-	23,795
Loan payable	6	-	40,000
		165,066	136,387
SHAREHOLDERS' EQUITY			
Share capital	8	41,746,545	41,143,735
Reserves	8	448,582	378,084
Accumulated other comprehensive loss		(2,105,234)	(2,187,114)
Deficit		(38,231,588)	(37,485,131)
		1,858,305	1,849,574
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,023,371	1,985,961
Nature of operations and going concern	1		
Subsequent event	14		

Approved on behalf of the Board of Directors on February 25, 2022:

"Eric Norton"

Director

"Brandon Macdonald"

Director

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

COMMANDER RESOURCES LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Note	2021 \$	2020 \$
Expenses			
Accounting and audit	9	81,523	86,784
Administration		33,576	32,346
Amortization	5	43,959	50,779
Consulting	9	68,400	68,400
Exploration and evaluation expenditures	4	320,236	418,391
Filing fees and transfer agent		16,384	12,622
Finance costs	5	3,762	6,727
Investor and shareholder relations		140,876	215,907
Legal		6,957	10,982
Project evaluation		42,784	75,371
Salary and benefits	9	154,532	144,269
Share-based compensation	8	194,350	64,323
Loss from operating expenses		(1,107,339)	(1,186,901)
Cost recoveries on exploration and evaluation assets	4(a),(c),(g)	181,083	35,000
Foreign exchange gain (loss)		98	(3,895)
Interest and management fee income	4(c)	11,033	2,587
Other income	7	7,816	-
Royalty income	4(i)	25,000	25,000
Sale of net smelter return royalty	4(f)	-	750,000
Loss for the year		(882,309)	(378,209)
Other comprehensive income (loss)			
<i>Item that will not be reclassified to profit or loss</i>			
Change in fair value of marketable securities at FVOCI	3	81,880	(16,510)
Loss and comprehensive loss for the year		(800,429)	(394,719)
Weighted average number of common shares outstanding			
Basic and diluted #		36,804,069	35,650,772
Basic and diluted loss per common share \$		(0.02)	(0.01)

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

COMMANDER RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Number of Shares #	Share capital \$	Reserves \$	Accumulated other comprehensive Loss \$	Deficit \$	Total shareholders' equity \$
January 1, 2020	35,650,772	41,143,735	868,981	(2,170,604)	(37,662,142)	2,179,970
Share-based compensation	-	-	64,323	-	-	64,323
Reclassification on expiry of warrants	-	-	(524,974)	-	524,974	-
Reclassification on expiry of options	-	-	(30,246)	-	30,246	-
Fair value adjustment on marketable securities	-	-	-	(16,510)	-	(16,510)
Loss for the year	-	-	-	-	(378,209)	(378,209)
December 31, 2020	35,650,772	41,143,735	378,084	(2,187,114)	(37,485,131)	1,849,574
January 1, 2021	35,650,772	41,143,735	378,084	(2,187,114)	(37,485,131)	1,849,574
Shares issued	3,803,124	634,531	12,000	-	-	646,531
Share issuance costs	-	(31,721)	-	-	-	(31,721)
Share-based compensation	-	-	194,350	-	-	194,350
Reclassification on expiry of options	-	-	(135,852)	-	135,852	-
Fair value adjustment on marketable securities	-	-	-	81,880	-	81,880
Loss for the year	-	-	-	-	(882,309)	(882,309)
December 31, 2021	39,453,896	41,746,545	448,582	(2,105,234)	(38,231,588)	1,858,305

The accompanying notes are an integral part of the consolidated financial statements.

COMMANDER RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021 \$	2020 \$
Operating activities		
Loss for the year	(882,309)	(378,209)
Items not affecting cash:		
Amortization	43,959	50,779
Share-based compensation	194,350	64,323
Cost recoveries on exploration and evaluation assets	(181,083)	(35,000)
Other income	(7,816)	-
Changes in non-cash working capital:		
Receivables	18,632	(26,605)
Prepaid expenses	7,461	8,759
Accounts payable and accrued liabilities	389	(20,222)
Advances from optionees	52,905	(34,458)
	(753,512)	(370,633)
Investing activities		
Exploration and evaluation assets	(10,553)	(19,590)
Option receipts on exploration and evaluation assets	90,000	60,000
Reclamation bond	(10,000)	-
Proceeds from sale of marketable securities	81,040	221,380
	150,487	261,790
Financing activities		
Common shares issued	662,540	-
Share issuance costs	(31,721)	-
Lease payments	(32,808)	(39,043)
Loan from government business program	-	40,000
	598,011	957
Change in cash and cash equivalents	(5,014)	(107,886)
Cash and cash equivalents, beginning of year	600,854	708,740
Cash and cash equivalents, end of year	595,840	600,854
Cash and cash equivalents comprise:		
Cash at bank - Canadian dollars	404,549	298,984
Cash at bank - Mexican pesos	60,309	1,180
Money market funds - Canadian dollars	130,982	300,690
Cash and cash equivalents in Canadian dollars	595,840	600,854

Supplemental cash flow information (Note 10)

The accompanying notes are an integral part of the consolidated financial statements.

COMMANDER RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN

Commander Resources Ltd. (“Commander” or the “Company”) is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange under the symbol “CMD”. Commander’s records and registered office is at Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

The Company is in the business of acquisition and exploration of mineral resource properties in Canada and Mexico. Commander pursues the prospect generator model and focuses on building a portfolio of early-stage exploration projects. For the ongoing exploration of the projects, the Company aims to option interests in the projects to joint venture partners.

These consolidated financial statements (the “financial statements”) have been prepared on a going concern basis which assumes that the Company will be able to continue in operation for the foreseeable future and meet its obligations in the normal course of business. The Company has incurred ongoing losses and will continue to incur further losses in the course of exploring its mineral properties. As at December 31, 2021, the Company had a deficit of \$38,231,588 (2020 - \$37,485,131) and working capital of \$1,648,175 (2020 - \$1,636,916). Commander has historically relied on the issuance of share capital to fund its operations. Although the Company has been successful in raising equity financing in the past, there is no assurance that such financing will continue to be available with acceptable terms. These uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

COVID-19 continues to spread as variants in many countries since it was declared a global outbreak in March 2020. The pandemic continues to impact global economic recovery and has resulted in commodity price fluctuations and financial market volatility. It remains undetermined around the duration and extend of the pandemic which has resulted in uncertainties to the Company’s continued operations in projects and its ability to obtain the required financing for its going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Company prepared these financial statements in accordance with International Financial Reporting Standards and Interpretations (collectively, “IFRS”), as issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements have been prepared on the historical cost basis, except for financial instruments measured at fair value. Additionally, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

Principles of consolidation

These financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

- BRZ Mex Holdings Ltd. (“BRZM”); and
- Minera BRG SA de CV (“Minera BRG”).

The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

COMMANDER RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates, assumptions, and judgments

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that impact the Company's reported financial results. Estimates, assumptions, and judgments are based on historical experiences and expectations of future events. Actual results could result in material differences from those estimates, assumptions, and judgments.

The significant estimates and judgments that affect these financial statements are as follows:

Recoverability of exploration and evaluation ("E&E") assets

The Company capitalizes acquisition costs related to E&E assets which comprise staking costs, and option payments, based on the judgment that the carrying amounts will be recoverable. Their recoverability depends on various factors such as the discovery of economically viable reserves, the Company's ability to obtain the financing to continue exploration and development efforts, or from disposition of the E&E assets. If new information becomes available suggesting the recovery of these expenditures is unlikely, the capitalized costs are written-off to profit or loss for the period.

Going concern

The Company applies judgment in assessing its ability to continue as a going concern. In making this assessment, the Company considers the facts and circumstances disclosed in Note 1. The Company concludes that there is a material uncertainty that might cast significant doubt about its ability to continue as a going concern.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid guaranteed investment certificates that are readily available to the Company on demand or with maturity dates of three months or less on initial acquisition.

Exploration and evaluation assets ("E&E assets")

All direct costs related to the acquisition of E&E assets are capitalized upon acquiring the legal right to explore a property. Exploration and evaluation expenditures are expensed as incurred while the Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. If and when the Company's management determines that economically extractable proven or probable mineral reserves have been established, the subsequent costs incurred to develop such property, including costs to further delineate the ore body will be capitalized.

When the Company receives proceeds in the form of cash and/or common shares (marketable securities) from the option of an interest or partial sale in a property to another party, the payments are credited against the carrying value of the property and the excess amount of the proceeds over the carrying value is recorded as a gain in profit or loss (cost recoveries on exploration and evaluation assets) when received. When all of the interest in

COMMANDER RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

a property is sold, any remaining capitalized E&E costs are reduced to \$nil with any gain or loss recorded in profit or loss in the period the transaction occurs.

At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Impairment of long-lived assets

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows or CGUs.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Property and equipment

Property and equipment is recorded at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line method over the useful life of an asset less its estimated residual value.

Computer equipment	5 years
Office furniture	5 years
Field equipment	10 years
Right-of-use asset	Over the term of the lease

Environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs, or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. As at December 31, 2021 and 2020, the Company does not have any decommissioning liabilities or asset retirement obligations for the provision of environmental rehabilitation.

COMMANDER RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation

The Company recognizes share-based compensation on stock options granted. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized using the graded vesting method over the period during which the options vest. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

For directors, officers and employees, the fair value of the options is measured at the date of grant, and the options are recognized over the vesting period. For non-employees, share-based compensation is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The fair value is recorded at the earlier of the vesting date, or the date the goods or services are received.

The offset to share-based compensation expense is reserves. Consideration received on the exercise of options is recorded as share capital and the related reserves are transferred to share capital. Upon expiry or cancellation, the recorded value is transferred from reserves to deficit.

Income taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply when the assets are recovered, and the liabilities settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per share

Loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. The Company calculates the dilutive effect on loss per share by presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

Share capital

Common shares issued by the Company are recorded to share capital at the value of proceeds received, net of share issue costs. The fair value of common shares issued as consideration for E&E assets or other non-cash consideration is based on the market price of those shares on the date the shares are issued.

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 more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as reserves.

COMMANDER RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-Through Common 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 the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax recognized as a tax provision.

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 subjected to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Foreign currency translation

Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates. The Company and its subsidiaries' functional currency is the Canadian dollar and was determined by conducting an analysis of the consideration factors in *IAS 21, the Effects of Changes in Foreign Exchange Rates ("IAS 21")*.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Leases

The Company leases office space within of property and equipment. Under IFRS 16 *Leases* ("IFRS 16"), the Company assesses whether a contract to rent an item of property and equipment is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

Pursuant to IFRS 16 lessee accounting model, the right-of-use asset is initially measured at cost, which includes the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease. The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

COMMANDER RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The measurement of lease liabilities includes the following types of lease payments:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable under any residual value guarantees; and
- Exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early. The lease liability is measured at amortized cost using the effective interest method.

The lease liability is remeasured in the following circumstances:

- If there is a change in the future lease payments resulting from a change in index or rate;
- If there is a change in the Company's estimation of the amount expected to be payable under a residual value guarantee; and
- If the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less and for low-value assets.

Financial instruments

Financial assets are classified according to their contractual cash flow characteristics and the purpose for which they were acquired. On initial recognition, a financial asset is classified as: 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 FVTPL:

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to measure the investment at FVOCI whereby changes in the investment's fair value (realized and unrealized) will be recognized permanently in OCI with no reclassification to profit or loss. The election is made on an investment-by-investment basis.

All financial assets not classified as amortized cost or FVOCI are classified as and measured at FVTPL. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as FVTPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial asset has been classified as amortized cost, FVPL or FVOCI. Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVTPL. Financial assets and financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

Loss allowances for 'expected credit losses' are recognized on financial assets measured at amortized cost. A loss event is not required to have occurred before a credit loss is recognized.

Classification of financial instruments

The Company has classified and measured its financial instruments as follows:

Financial assets	Classification	Subsequent measurement
Cash and cash equivalents	Amortized cost	Amortized cost
Receivables	Amortized cost	Amortized cost
Marketable securities	FVOCI	Fair value
Reclamation bond	Amortized cost	Amortized cost
Financial liabilities	Classification	Subsequent measurement
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Lease liability	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

Standards issued or amended but not yet effective

The Company has not applied the following revised IFRS that has been issued but was not yet effective at December 31, 2021. This accounting standard is not currently expected to have a significant effect on the Company's accounting policies or financial statements.

- IAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* (effective January 1, 2022). The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss.

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3. MARKETABLE SECURITIES

		December 31, 2021	December 31, 2020
	Note	\$	\$
<i>Common shares of public companies:</i>			
Fair value, beginning of the year		1,025,380	1,240,520
Fair value of shares received	4(g)	44,000	22,750
Net proceeds from sales	3	(81,040)	(221,380)
Fair value adjustment		81,880	(16,510)
Fair value, end of the year		1,070,220	1,025,380

Commander does not have significant influence in any of its investments in publicly traded companies. The fair values of the marketable securities are determined at each reporting date by referencing to the closing market prices of these common shares. All of the Company's marketable securities are classified as FVOCI because these investments are not held for trading.

The Company's holdings in marketable securities comprise common shares of publicly traded companies received as option payments on the sale of exploration and evaluation assets. The significant holding or transactions as at December 31, 2021 were as follows:

Aston Bay Holdings Ltd. ("Aston")

In February 2016, Aston issued 11,000,000 common shares to Commander with a fair value of \$2,640,000 for the acquisition of the Company's former Storm Property.

During the year ended December 31, 2021, the Company sold 1,500,000 shares of Aston Bay for net proceeds of \$81,040 (2020 – 2,000,000 shares for net proceeds of \$221,380). As at December 31, 2021, Commander held less than 10% of Aston's total outstanding common shares.

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4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its assets are in good standing.

Exploration and Evaluation Assets

As at December 31, 2021, the cumulative expenditures on the Company's E&E assets were as follows:

	Dec 31, 2019 \$	Acquisition costs \$	Option proceeds \$	Cost recovered \$	Dec 31, 2020 \$	Acquisition costs \$	Option proceeds \$	Cost recovered \$	Dec 31, 2021 \$
British Columbia projects									
October Dome and Mt. Polley	174	-	-	-	174	-	(90,000)	90,000	174
Henry Lee	62,068	-	-	-	62,068	-	-	-	62,068
Bornite	-	-	-	-	-	2,453	-	-	2,453
Burn	6,315	-	(35,000)	35,000	6,315	-	(50,000)	50,000	6,315
Omineca	3,140	-	-	-	3,140	-	-	-	3,140
	71,697	-	(35,000)	35,000	71,697	2,453	(140,000)	140,000	74,150
Other Canadian projects									
South Voisey's Bay (Labrador)	90,667	-	(47,750)	-	42,917	-	(84,000)	41,083	-
First Loon (Ontario)	-	19,590	-	-	19,590	8,100	-	-	27,690
Sabin (Ontario)	11,801	-	-	-	11,801	-	-	-	11,801
	102,468	19,590	(47,750)	-	74,308	8,100	(84,000)	41,083	39,491
Mexico project									
Pedro	1	-	-	-	1	-	-	-	1
	1	-	-	-	1	-	-	-	1
Total	174,166	19,590	(82,750)	35,000	146,006	10,553	(224,000)	181,083	113,642

Exploration and Evaluation Expenditures

During the year ended December 31, 2021, the Company's E&E expenditures were as follows:

	British Columbia			Ontario			New Brunswick	Mexico	
	October Dome \$	Henry Lee \$	Omineca \$	Sabin \$	First Loon \$	Garden Lake \$	Nepisiguit \$	Pedro \$	Total \$
Claim maintenance	-	-	-	11,797	-	-	2,750	22,174	36,721
Field sampling	-	-	-	-	78,346	-	-	-	78,346
Field labour and supplies	435	-	3,808	500	-	-	-	-	4,743
Geological	14,790	6,163	10,000	21,500	24,662	263	187	8,206	85,771
Helicopter	-	-	19,926	-	62,336	-	-	-	82,262
Travel, rentals	3,909	-	3,704	4,482	5,635	-	-	4,848	22,578
Environmental permitting	-	-	-	-	-	-	-	7,909	7,909
Assaying	1,652	-	2,373	2,825	14,728	3,414	-	-	24,992
	20,786	6,163	39,811	41,104	185,707	3,677	2,937	43,137	343,322
Government exploration									
tax credits	(6,584)	(6,163)	(10,339)	-	-	-	-	-	(23,086)
Total	14,202	-	29,472	41,104	185,707	3,677	2,937	43,137	320,236

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4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

Exploration and Evaluation Expenditures (continued)

During the year ended December 31, 2020, the Company's E&E expenditures were as follows:

	British Columbia				Ontario			Mexico	
	October Dome \$	Henry Lee \$	Burn \$	Omineca \$	Sabin \$	First Loon \$	Garden Lake \$	Pedro \$	Total \$
Claim maintenance	-	-	-	-	18,105	-	-	22,255	40,360
Data, maps and reports	3,125	700	3,325	2,475	-	-	-	69,557	79,182
Field labour and supplies	-	45	-	-	3,792	8,642	2,841	-	15,320
Geological	-	5,825	-	-	23,163	23,456	5,875	875	59,194
Geophysical survey	-	-	-	-	-	184,960	-	-	184,960
Helicopter, travel, rental	-	3,280	-	-	5,389	19,249	4,052	-	31,970
Assaying	-	740	-	-	3,032	1,564	2,069	-	7,405
Total	3,125	10,590	3,325	2,475	53,481	237,871	14,837	92,687	418,391

a. Mount Polley, BC

In October 2019, Commander entered into an option agreement with a wholly-owned subsidiary of Imperial Metals Corporation ("Imperial") granting Imperial the option to earn a 100% interest in certain mineral claims within the Mount Polley copper-gold property. Commander has a 100% interest in the property except a certain portion which is 90% owned by Commander and 10% by an arm's length private company.

Total cash consideration receivable by Commander is \$250,000 with 90% due to Commander, and 10% to the private company staged in three payments:

- 1) \$50,000 upon signing (\$45,000 received, representing Commander's 90% interest);
- 2) \$100,000 (received subsequently; \$10,000 payable, representing 10% interest owing to a private company) on or before December 31, 2021; and
- 3) \$100,000 on or before December 31, 2022.

In addition to cash payments, a production royalty of \$1.25 per tonne-milled will be due to Commander and the private company. At any time after exercise of the option, Imperial shall have the right upon payment of \$1,000,000 to Commander, to reduce the production royalty to 50% of the production royalty.

b. Henry Lee, BC

The Company has a 100% interest in the Henry Lee copper project.

In March 2019, the Company entered into a purchase agreement to acquire a 100% interest in two mineral claims adjacent to the Company's Henry Lee property. The total consideration was \$56,500 (\$25,000 in cash (paid) and 350,000 shares at fair value of \$0.09 per share for \$31,500 (issued)).

The vendor retains a 1% net smelter return royalty ("NSR") and is entitled to receive a one-time advance royalty payment of \$1,000,000 upon the commencement of commercial production.

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4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

c. Burn, BC

The Burn copper property was acquired by staking in 2018.

In July 2019, the Company entered into an earn-in agreement with Freeport-McMoRan Mineral Properties Canada Inc. ("Freeport") allowing Freeport to earn a 75% interest in the Burn property as follows:

Earn-in Option	Committment Timeline	Cash	Exploration
First Option (51%)	Earn-in agreement signed on July 11, 2019	\$25,000 (received)	-
	On or before July 11, 2020	\$35,000 (received)	-
	On or before July 11, 2021	\$50,000 (received)	-
	On or before July 11, 2022	\$50,000	-
	On or before July 11, 2023	\$100,000	\$1,000,000
Second Option (24%)	On or before July 11, 2024	\$100,000	-
	On or before July 11, 2025	\$100,000	-
	On or before July 11, 2026	\$100,000	\$1,500,000
Total interest (75%)	Total cash and exploration amounts	\$560,000	\$2,500,000

The completion of the earn-in conditions will result in a Joint Venture of 75% for Freeport and 25% for the Company. If either party dilutes to less than a 10% interest, that interest would be replaced with a 1% NSR. The Company is the project operator until Freeport earns a 51% interest.

As the operator of the project, the Company earned management fees of \$9,735 recorded under interest and management fee income during the year ended December 31, 2021 (2020 - \$1,184). As at December 31, 2021, the advance from Freeport on the Burn project was \$5,718 (2020 - \$6,631) classified as a current liability under advances from optionees.

d. Sabin, Ontario

The Company's ownership interest on the Sabin base-precious metal property varies from 58.5% to 100%.

e. First Loon, Garden Lake and Staunton, Ontario

In 2020, the Company acquired by staking three gold properties in Ontario for a total cost of \$19,590.

During the year ended December 31, 2021, additional claims were staked on First Loon for \$8,100.

f. Hammerdown, Newfoundland

The Company held a 2% NSR on Maritime Resources Corp.'s ("Maritime") Hammerdown gold project in Newfoundland pursuant to the Option and Royalty Agreement on the Green Bay Property dated June 14, 2010. Maritime had the right to buy back 50% of the NSR for \$1,000,000 at their start-up of commercial production.

In September 2020, Maritime and the Company agreed to an early exercise of the buy-back of 1% NSR by Maritime for an amended purchase price of \$750,000. On September 17, 2020, the transaction was completed and the proceed of \$750,000 was recorded as sale of net smelter return royalty in the statement of loss of 2020.

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4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

g. South Voisey's Bay, Labrador

As at December 31, 2021, the Company has a 25% interest in the South Voisey's Bay nickel property, and Fjordland Exploration Inc., ("Fjordland") has earned a 75% interest in the project.

Prior to the commencement of the earn-in schedule below, Fjordland had earned a 15% interest in the property. In 2017 and 2021, Fjordland earned additional 20% and 40% interests in the project with the fulfillment of its commitments in option payments and exploration expenditures during the four years.

The earn-in schedule below details Fjordland's options in earning the remaining interest in the property.

Earn-in Option	Completion Date	Cash	Common Shares	Exploration
First Option (20%) (completed)	On or before July 26, 2017	-	200,000 (received, fair valued at \$28,000)	-
	On or before October 31, 2017	-	-	\$600,000
Second Option (40%)	On or before July 26, 2018	\$10,000 (received)	250,000 (received, fair valued at \$50,000)	-
	On or before July 26, 2019	\$15,000 (received)	300,000 (received, fair valued at \$18,000)	-
	On or before July 26, 2020	\$25,000 (received)	350,000 (received, fair valued at \$22,750)	-
	On or before October 31, 2021	\$40,000 (received)	400,000 (received, fair valued at \$44,000)	\$2,400,000
Third Option (25%)	On or before October 31, 2024	\$200,000	3,000,000	\$5,000,000
	Total	\$290,000	4,500,000	\$8,000,000

Upon Fjordland earning a 100% interest, Commander will retain a 2% NSR. Fjordland has the right to buy 1% of the NSR for \$5,000,000 in cash or \$2,500,000 in cash and \$2,500,000 in common shares of Fjordland. Upon Fjordland's commencement of commercial production, Commander will receive a \$10,000,000 advance royalty payment.

h. Other Canadian Properties

Baffin, Nunavut

The Company holds a royalty interest of 0.25% to 0.5% NSR on the Baffin gold project.

Omineca, BC

The Company owns 100% of the property within the Quesnel Trough of BC.

i. Tam, BC

The Company holds a 1.5% NSR on the Tam property. Teck Resources Limited ("Teck") owned 100% of the property which is subject to a 3% NSR and a buy-down to 1% for \$2,000,000. An annual advance royalty payment of \$25,000 receivable by the Company began on December 31, 2012 and was capped at \$250,000.

On November 25, 2020, Teck, Commander and Tsayta Resources Corporation ("Tsayta") entered into an assignment agreement under which Commander consented to Teck's assignment of its rights, title and interest of the Tam property to Tsayta.

During the year ended December 31, 2021, Commander received \$25,000 which was recorded as royalty income (2020 - \$25,000). As at December 31, 2021, a total of \$250,000 (\$200,000 from Teck and \$50,000 from Tsayta effective December 2020) was received as royalty income.

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4. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

j. Pedro, Mexico

In September 2016, the Company acquired BRZ Mex Holdings Ltd. ("BRZM") and Minera BRG SA de CV ("Minera BRG"). BRZM's subsidiary, Minera BRG owns a 100% interest in the Pedro gold property in Mexico. The carrying value of the Pedro property is \$1.

On July 27, 2021, the Company entered into an option agreement (via a letter of intent with a definitive agreement to follow) with Southern Empire Resources Corp. ("Southern Empire") granting them a 100% interest in the Pedro property. Southern Empire will be the operator of the Pedro project.

Subsequent to the year ended December 31, 2021, the letter of intent was modified to allow the initial payments (in cash and shares of Southern Empire) to proceed. In early February 2022, the Company received \$25,000 in cash and 100,000 shares of Southern Empire.

Terms of the Option Agreement

- Total consideration consists of:
 - i) \$700,000 in cash staged over 4 payments over 3 years, and
 - ii) 100,000 shares of Southern Empire.

The staged cash payments are as follows:

- Initial payments of \$25,000 and 100,000 shares (both cash and shares received subsequently)
- \$125,000 on the first anniversary of the agreement
- \$250,000 on the second anniversary
- \$300,000 on the third anniversary

The second, third and fourth cash payments (totalling \$675,000) can be made by common shares of Southern Empire.

- Exploration expenditures totalling \$1,500,000 of which \$400,000 to be expended within the first year of the definitive agreement
- A 2% NSR royalty with no provision for a buydown

As at December 31, 2021, the advance from Southern Empire on the Pedro project was \$53,818 (2020 - \$nil) classified as a current liability under advances from optionees.

Reclamation bonds

In July 2018, Bearing Lithium Corp. (formerly Bearing Resources Ltd.) assigned to the Company the right to its reclamation bond with the BC Government on the October Dome and Mt. Polley properties for cash consideration of \$18,000.

In May 2021, the Company placed a security bond of \$10,000 on an application for Mines Act Permit with the BC Ministry of Energy and Mines and Petroleum Resources on the October Dome property. The bond bears an annual interest rate of 2.2% and is hypothecated with an automatic annual renewal upon maturity.

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5. PROPERTY AND EQUIPMENT

	Computer equipment \$	Office furniture \$	Field equipment \$	Right-of-use asset \$	Total \$
<u>Cost</u>					
December 31, 2018	6,930	-	55,254	-	62,184
Adoption of IFRS 16 on January 1, 2019	-	-	-	72,913	72,913
Addition	1,926	15,820	-	-	17,746
At December 31, 2019	8,856	15,820	55,254	72,913	152,843
Addition	-	-	-	66,900	66,900
At December 31, 2020 and 2021	8,856	15,820	55,254	139,813	219,743
<u>Accumulated amortization</u>					
December 31, 2019	(2,419)	(2,110)	(8,288)	(43,700)	(56,517)
Amortization	(1,772)	(3,164)	(5,526)	(40,317)	(50,779)
December 31, 2020	(4,191)	(5,274)	(13,814)	(84,017)	(107,296)
Amortization	(1,771)	(3,164)	(5,528)	(33,496)	(43,959)
December 31, 2021	(5,962)	(8,438)	(19,342)	(117,513)	(151,255)
<u>Net book value</u>					
December 31, 2020	4,665	10,546	41,440	55,796	112,447
December 31, 2021	2,894	7,382	35,912	22,300	68,488

Right-of-use asset and lease liability

Under IFRS 16 *Leases* ("IFRS 16"), the Company is required to recognize assets and liabilities for leases with a term over 12 months. The Company has a 2-year office lease which expires in August 2022. The present value of future lease payments is recognized as right-of-use asset and lease liability.

The Company's lease liability related to the office lease as at December 31, 2021 and 2020 is as follows:

Lease liability	\$
December 31, 2019	28,745
Addition	66,900
Lease payments	(45,770)
Finance costs	6,727
December 31, 2020	56,602
Lease payments	(36,570)
Finance costs	3,762
December 31, 2021	23,794
Current portion of lease liability	23,794
Non-current portion of lease liability	-
Maturity analysis - contractual undiscounted cash flows	
Less than one year	24,380
One to five years	-
Total undiscounted lease liability	24,380

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6. LOAN PAYABLE

In May 2020, the Company received from the federal government of Canada a loan of \$40,000 under the Canada Emergency Business Account ("CEBA") program. The Company has the option to pay back \$30,000 by December 31, 2022 and \$10,000 of the loan will be forgiven. The loan can be extended for another three years to December 31, 2025 with a 5% interest charged on the remaining balance. The Company intends to pay back the CEBA loan by December 2022.

7. FLOW-THROUGH SHARE PREMIUM LIABILITY

Balance at December 2019 and 2020	\$	-
Liability incurred on flow-through shares issued		16,009
Settlement of flow-through share premium liability on expenditures incurred		(7,816)
Balance at December 31, 2021	\$	8,193

On September 9, 2021, the Company raised \$288,160 through the issuance of 1,600,889 flow-through common shares at a price of \$0.18 per share (Note 8). A flow-through liability of \$16,009 was recognized on the issuance date. As at December 31, 2021, the Company has incurred \$140,681 in qualifying expenditures and de-recognized \$7,816 in flow-through share premium liability and recorded the corresponding amount in other income.

8. SHARE CAPITAL

Authorized – unlimited number of common shares without par value

Shares issued during the year ended December 31, 2021

On September 9, 2021, the Company closed the first tranche ("Tranche 1") of a non-brokered private placement and issued 1,402,235 units at \$0.17 per unit (the "Units") for gross proceeds of \$238,380 and 1,600,889 flow-through shares (the "FT Shares") at \$0.18 per FT share for gross proceeds of \$288,160. The Company recorded a share premium liability of \$16,009 in relation to the FT shares (Note 7).

On September 20, 2021, the second tranche ("Tranche 2") of the non-brokered private placement was closed and 800,000 units at \$0.17 per unit price were issued for gross proceeds of \$136,000.

Each Unit consists of one common share and half of one share purchase warrant with each whole warrant entitling the holder to purchase one common share at \$0.25 per share until March 9, 2023 for Tranche 1 and March 20, 2023 for Tranche 2. In connection with the financing, the Company paid finders fees of \$18,450 in cash and incurred \$13,271 in legal, filings and transfer agent fees.

The Company uses the residual value method with respect to the measurement of the values assigned to common shares and share purchase warrants associated with the private placement. As such, the gross proceeds of the Units of \$374,380 had been assigned as follows: \$362,380 to share capital and \$12,000 to warrant reserve.

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8. SHARE CAPITAL (continued)

Warrants

On September 9 and September 20, 2021, the Company issued share purchase warrants of 701,118 and 400,000, exercisable at \$0.25 per share until March 9, 2023 and March 20, 2023, respectively. Using the residual value method to value the share purchase warrants, \$12,000 of the Tranche 2 proceeds had been allocated to reserves from share capital.

During the year ended December 31, 2020, warrants of 12,758,141 exercisable at \$0.25 per share expired. The fair value of these expired warrants of \$524,974 had been transferred from reserves to deficit.

As at December 31, 2021, the Company's outstanding warrants are as follows:

	Number of Warrants	Exercise price (\$)	Expiry date	Weighted average remaining life (years)
Balance, December 31, 2020 and 2019	-	-	-	-
Issued during the year:				
- Share purchase warrants	701,118	0.25	March 9, 2023	1.19
- Share purchase warrants	400,000	0.25	March 20, 2023	1.22
Balance, December 31, 2021	1,101,118	0.25		1.20

Stock options

In October 2021, the Company granted 1,460,000 stock options to directors, officers and consultants. The stock options are exercisable at \$0.17 per share for 5 years until October 29, 2026. The fair value of the options granted was calculated at \$196,078 using the Black-Scholes option pricing model with these assumptions: volatility of 110%, risk-free interest rate of 1.5%, expected dividend yield of nil and expected life of 5 years.

In November 2020, 530,000 stock options were granted to directors, officers and consultants. The stock options are exercisable at \$0.14 per share for 5 years until November 12, 2025. The fair value of the 530,000 options was calculated at \$66,091 using the Black-Scholes option pricing model with these assumptions: volatility of 143%, risk-free interest rate of 0.5%, expected dividend yield of nil and expected life of 5 years.

For the years ended December 31, 2021 and 2020, the Company recognized share-based compensation of \$194,350 and \$64,323, respectively.

The Company's stock option activities for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021		December 31, 2020	
	Option #	Weighted average exercise price \$	Option #	Weighted average exercise price \$
Balance, beginning of year	3,236,000	0.17	3,226,000	0.19
Granted	1,460,000	0.17	530,000	0.14
Expired	(1,060,000)	(0.25)	(520,000)	(0.25)
Balance, end of year	3,636,000	0.14	3,236,000	0.17

During the year ended December 31, 2021, 1,060,000 stock options expired (2020 – 520,000) and their fair values of \$135,852 (2020 - \$30,246) had been transferred from reserves to deficit.

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8. SHARE CAPITAL (continued)

As at December 31, 2021, the Company's outstanding and exercisable stock options are as follows:

Options outstanding #	Options exercisable #	Exercise price \$	Expiry date	Weighted average remaining life (years)
886,000	886,000	0.17	July 12, 2023	1.53
760,000	760,000	0.07	June 12, 2024	2.45
530,000	530,000	0.14	November 12, 2025	3.87
1,460,000	1,410,000	0.17	October 29, 2026	4.82
3,636,000	3,586,000	0.14		3.39

Reserves

Reserves includes the accumulated fair value of stock options recognized as share-based compensation and the fair value of warrants. Reserves is increased by the fair value of these items on vesting and is reduced by corresponding amounts when the options or warrants are exercised or expired.

	Stock option reserve \$	Warrant reserve \$	Total \$
December 31, 2019	344,007	524,974	868,981
Stock options granted	64,323	-	64,323
Reclassification on expiry of options and warrants	(30,246)	(524,974)	(555,220)
December 31, 2020	378,084	-	378,084
Stock options granted	194,350	-	194,350
Reclassification on expiry of options	(135,852)	-	(135,852)
Fair value of warrants attached to units	-	12,000	12,000
December 31, 2021	436,582	12,000	448,582

9. RELATED PARTY TRANSACTIONS

Compensation of key management

Key management includes the Company's Directors, President and Chief Executive Officer ("CEO"), VP Exploration, VP Corporate Development, Chief Financial Officer and Corporate Secretary. Their remuneration is as follows:

	Nature of Compensation	Transactions for the year ended		Balance outstanding	
		December 31, 2021	2020	December 31, 2021	2020
		\$	\$	\$	\$
President and CEO	Salary and benefits	154,532	144,269	-	-
Vice President, Exploration	Consulting and project evaluation	115,763	139,800	-	-
Vice President, Corp Development	Consulting	30,000	30,000	-	-
Corporate Secretary	Consulting	38,400	38,400	-	-
Chief Financial Officer	Accounting	54,000	52,500	-	-
Various	Share-based compensation	175,375	61,103	-	-
		568,070	466,072	-	-

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9. RELATED PARTY TRANSACTIONS (continued)

Other related party transaction

During the year ended December 31, 2021, office rents of \$36,570 (2020 - \$46,575) were paid to a company related by way of a common former director.

10. SUPPLEMENTAL CASH FLOW INFORMATION

	Years ended December 31,	
	2021	2020
	\$	\$
Financing activities:		
Marketable securities received for exploration and evaluation assets	44,000	66,500
Fair values on expired warrants reclassified from reserves to deficit	-	524,974
Fair values on expired options reclassified from reserves to deficit	135,852	30,246
Fair values on share purchase warrants	12,000	-
Investing activities:		
Equipment addition: right-of-use asset recognized under IFRS 16	-	66,900
Other cash flow information:		
Interest received	802	1,403
Income tax paid	-	-

11. SEGMENTED INFORMATION

The Company operates in one single reportable segment, being the acquisition and exploration of resource properties. As at December 31, 2021, the carrying values of the Company's non-current assets were:

Exploration and evaluation assets:

- \$113,641 (2020 - \$146,005) located in Canada; and
- \$1 (December 31, 2020 - \$1) located in Mexico

Property and equipment

- \$68,488 (2020 - \$112,447) located in Canada

Reclamation bond

- \$28,000 (2020 - \$18,000) located in Canada

12. CAPITAL MANAGEMENT

The Company defines its capital as all components of shareholders' equity. The Company manages its capital structure by maintaining adequate funds to support the acquisition and exploration of minerals assets. The Board of Directors does not establish a 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 for the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

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13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The carrying values of receivables, reclamation bond, accounts payable and accrued liabilities approximate their fair values due to the short-term to maturity of these financial instruments. The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The Company's marketable securities are classified as a level 1 financial asset. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Liquidity risk

Liquidity risk is the risk that the Company's financial assets are insufficient in meeting its financial obligations as they become due. The Company manages this risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure there is sufficient liquidity to meet the obligations. As at December 31, 2021, the Company had cash and cash equivalents of \$595,840 to settle its current liabilities of \$165,066.

During the year ended December 31, 2021, the Company raised a financing of \$288,160 in flow-through shares and \$374,380 in units (Note 8). Given the uncertainties of the duration and extends of the pandemic, the Company will require further financing as a going concern.

Credit risk

Credit risk is the risk that if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is equal to the carrying value of cash and cash equivalents and receivables. Receivables primarily comprises an option payment of \$100,000 (received subsequent to December 31, 2021) due from an optionee and \$12,923 in sales tax recoverable due from the Government of Canada. To minimize the credit risk, Commander deposits its cash and cash equivalents with a high credit-rating financial institution.

Price risk and foreign currency risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Company is exposed to price risk with respect to its marketable securities. A 10% change in the share prices would affect their fair values and comprehensive loss (income) by approximately \$107,022 (2020 - \$102,538).

14. SUBSEQUENT EVENT

Subsequent to the year ended December 31, 2021, on February 1, 2022, the letter of Intent (with a definitive agreement to follow) with Southern Empire Resources Corp. on the Company's Pedro property in Mexico was modified (Note 4 (j)), which allows the initial payments of \$25,000 in cash and 100,000 shares of Southern Empire to proceed. On February 3 and 10, 2022, both the shares and cash payment were received, respectively, by the Company.

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15. INCOME TAXES

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

	2021	2020
Loss before taxes	\$ (882,309)	\$ (378,209)
Expected income tax (recovery)	\$ (238,000)	\$ (102,000)
Change in statutory rates and other	(1,000)	(3,000)
Permanent differences	119,000	15,000
Share issue costs	(9,000)	-
Impact of flow through shares	38,000	-
Impact of capitalizing the excess of option payments recovered	49,000	-
Adjustment to prior years provision versus statutory tax returns	48,000	(204,000)
Change in unrecognized deductible temporary differences	(6,000)	294,000
Total income tax expense (recovery)	\$ -	\$ -

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

	2021	2020
Deferred tax assets (liabilities)		
Equipment	\$ (6,000)	\$ (15,000)
Lease liability	6,000	15,000
Net deferred tax liability	\$ -	\$ -

The significant components of the Company's deferred tax assets that have not been included on the consolidated statements of financial position are as follows:

	2021	2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 2,385,000	\$ 2,493,000
Equipment and other	78,000	75,000
Share issue costs	15,000	16,000
Marketable securities	209,000	258,000
Allowable capital losses	73,000	35,000
Non-capital losses available for future periods	1,753,000	1,653,000
	4,513,000	4,530,000
Unrecognized deferred tax assets	(4,513,000)	(4,530,000)
Net deferred tax assets	\$ -	\$ -

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15. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 8,130,000	No expiry date	\$ 8,529,000	No expiry date
Investment tax credit	260,000	2032 to 2033	260,000	2032 to 2033
Equipment and other	289,000	No expiry date	278,000	No expiry date
Share issue costs	57,000	2046 to 2047	58,000	2041 to 2042
Marketable securities	1,547,000	No expiry date	1,908,000	No expiry date
Allowable capital losses	269,000	No expiry date	129,000	No expiry date
Non-capital losses available for future periods	6,467,000	2026 to 2041	6,090,000	2026 to 2040
Canada	6,233,000	2027 to 2040	5,787,000	2027 to 2040
Mexico	234,000	2026 to 2030	303,000	2026 to 2030

Tax attributes are subject to review, and potential adjustment, by tax authorities.