NORTHERNSHIELD RESOURCES INC.

(An Exploration Stage Company)

Annual Consolidated Financial Statements

For the years ended December 31, 2021, and 2020
(All amounts in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Northern Shield Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Northern Shield Resources Inc. (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 as at December 31, 2021, the Company had accumulated losses of $31,567,443 and for the year then ended had incurred a loss of $233,039 and had negative operating cash flows of $556,797. 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 Carmen Newnham.

Davidson & Company LLP

Vancouver, Canada

Chartered Professional Accountants

April 27, 2022

Audited Consolidated Financial Statements
For the Years Ended December 31, 2021, and 2020
All amounts in Canadian Dollars

NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Financial Position
as at December 31, 2021 and 2020
(in Canadian Dollars)

	2021	2020
CURRENT ASSETS		
Cash	**$ 301,621**	$ 1,782,185
Amounts receivable	**159,400**	55,502
Subscriptions receivable	**-**	80,000
Prepaid expenses	**72,101**	33,301
	533,122	1,950,988
NON-CURRENT ASSETS		
Investment in shares	**833**	833
Exploration and evaluation assets (Note 3)	**5,115,301**	3,456,228
Property and Equipment (Note 4)	**60,727**	89,667
TOTAL ASSETS	**$ 5,709,983**	$ 5,497,716
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 313,986**	$ 295,499
Lease obligation (Note 5)	**-**	24,612
Deferred flow-through premium liability (Note 6)	**20,028**	164,053
	334,014	484,164
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**32,441,153**	31,842,992
Reserves	**4,502,259**	4,504,964
Deficit	**(31,567,443)**	(31,334,404)
	5,375,969	5,013,552
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 5,709,983**	$ 5,497,716

Nature of operations and going concern (Note 1)
The accompanying notes are an integral part of the consolidated financial statements.

APPROVED BY THE BOARD

/s/ Ian C. Bliss
Director

/s/ Russell M. Richards
Director

NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Loss and Comprehensive Loss
for the years ended December 31, 2021 and 2020
(in Canadian Dollars)

	2021	2020
Expenses		
Property investigation	**$ 6,885**	$ 24,776
Property write-downs (Note 3)	**-**	48,744
General and administrative (Note 9)	**745,317**	896,581
	(752,202)	(970,101)
Government assistance (Note 11)	**227,318**	-
Recognition of flow-through premium liability (Note 6)	**257,984**	443,127
Flow-though indemnification expense	**-**	(62,000)
Interest income	**33,861**	125
LOSS AND COMPREHENSIVE LOSS	**$ (233,039)**	$ (588,849)
Weighted average common shares outstanding	**283,117,328**	261,410,291
Basic and diluted loss per share (Note 8)	**$ (0.00)**	$ (0.00)

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

NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Changes in Shareholders' Equity
for the years ended December 31, 2021 and 2020
(in Canadian Dollars)

	Share Capital (Note 7)		Reserves			
	Number of Shares	Amount	Share-based Payments	Warrants	Deficit	**Total**
		$	$	$	$	**$**
Balance at January 1, 2020	**251,390,921**	**28,689,169**	**4,411,623**	**33,608**	**(30,745,555)**	**2,388,845**
Shares issued for property option	1,000,000	91,500	-	-	-	**91,500**
Shares issued for cash	17,396,795	1,922,000	-	-	-	**1,922,000**
Shares issued by flow-through placement	9,700,000	1,570,000	-	-	-	**1,570,000**
Shares issued upon exercise of warrants	400,000	44,000	-	-	-	**44,000**
Flow-through premium liability	-	(394,000)	-	-	-	**(394,000)**
Share issue costs	-	(79,677)	-	7,933	-	**(71,744)**
Share-based compensation	-	-	51,800	-	-	**51,800**
Loss for the year	-	-	-	-	(588,849)	**(588,849)**
Balance at December 31, 2020	**279,887,716**	**31,842,992**	**4,463,423**	**41,541**	**(31,334,404)**	**5,013,552**
Shares issued for property options	400,000	32,000	-	-	-	**32,000**
Shares issued by flow-through placement	11,395,834	709,333	-	-	-	**709,333**
Allocation of value to warrants	-	(25,583)	-	25,583	-	**-**
Flow-through premium liability	-	(113,959)	-	-	-	**(113,959)**
Share issue costs	-	(37,238)	-	5,320	-	**(31,918)**
Expiry of warrants	-	33,608	-	(33,608)	-	**-**
Loss for the year	-	-	-	-	(233,039)	**(233,039)**
Balance at December 31, 2021	**291,683,550**	**32,441,153**	**4,463,423**	**38,836**	**(31,567,443)**	**5,375,969**

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

NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
for the years ended December 31, 2021 and 2020
(in Canadian Dollars)

	2021	2020
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net income (loss) for the year	**$ (233,039)**	$ (588,849)
Items not affecting cash		
Amortization - administrative	**29,057**	38,420
Share-based compensation	**-**	51,800
Recognition of flow-through premium liability	**(257,984)**	(443,127)
Interest expense	**831**	3,312
Property write-downs	**-**	48,744
Changes in non-cash operating working capital items:		
Amounts receivable	**(103,898)**	(30,218)
Prepaid expenses	**(38,800)**	96,660
Accounts payable and accrued liabilities	**47,036**	102,115
	(556,797)	(721,143)
INVESTING		
Expenditures on exploration and evaluation assets	**(1,970,206)**	(2,208,133)
Purchase of property, plant and equipment	**(7,972)**	(8,602)
Government assistance	**326,025**	88,211
	(1,652,153)	(2,128,524)
FINANCING		
Issuance of share capital, net of issuance costs	**753,829**	3,421,150
Repayment of lease obligation	**(25,443)**	(33,924)
	728,386	3,387,226
NET CASH (OUTFLOW) INFLOW	**(1,480,564)**	537,559
CASH, BEGINNING OF YEAR	**1,782,185**	1,244,626
CASH, END OF YEAR	**$ 301,621**	$ 1,782,185
Supplemental disclosure to cash flow:		
Shares issued for mineral properties	**$ 32,000**	$ 91,500
Subscriptions receivable	**-**	80,000
Warrant value transferred on expiry to share capital	**33,608**	-
Amortization included in exploration and evaluation expenditures	**7,855**	7,544
Finders warrants issued	**5,320**	7,933
Share issue costs in accounts payable	**7,511**	11,097
Exploration and evaluation costs in accounts payable	**29,525**	54,488
Flow-through premium liability additions	**113,959**	394,000

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Shield Resources Inc. (the “Company" or "Northern Shield"), an exploration and evaluation stage company, incorporated under the *Canada Business Corporations Act*, is a natural resource company engaged in the business of identifying, acquiring, and exploring mineral properties located primarily in Eastern Canada.

The Company’s head office is at 150 Elgin St, 10th Floor, Ottawa, Ontario. The Company’s shares trade on the TSX Venture Exchange (“TSX-V”) under the symbol NRN.

The Company has not yet determined whether any of their properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development of the properties, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

As Northern Shield does not have an interest in revenue-producing properties, the Company has no operating income or earnings and, as such, its net loss may not be a meaningful indicator of its performance or potential. Exploration activities and the Company's expenses are financed by the periodic issuance of common shares and other equity securities.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. Currently, 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, results of operations and the timing of proposed transactions.

Going concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2021, the Company had accumulated losses of $31,567,443 and for the year then ended had incurred a loss of $233,039 and had negative operating cash flows of $556,797.

These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The Company will need to raise additional financing. Should this financing not materialize and profitable operations ultimately not be attained, this may cast doubt as to the Company’s ability to continue as a going concern. Actual realization values may be substantially different from carrying values as shown in the financial statements and the Company’s ability to discharge its liabilities in the normal course of business may be in doubt should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements ("Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The Board of Directors authorized these Financial Statements for issue on April 27, 2022.

Basis of Preparation

These Financial Statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

The policies applied in these Financial Statements are based on IFRS issued and effective for the year ending December 31, 2021.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary Seabourne Resources Inc. All intercompany balances and transactions are eliminated upon consolidation.

Functional Currency and Foreign Currency Translation

The presentation currency of the Company is the Canadian dollar. The functional currency of the Company, and its subsidiary, is also the Canadian dollar. The functional currency was determined through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of the transactions. At each financial position reporting date, any material monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Any material non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. All gains and losses on translation of these foreign currency

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

transactions are included in foreign exchange loss (gain) in profit or loss.

Financial Instruments

Classification

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

Financial assets/liabilities	Classification IFRS 9
Cash	FVTPL
Amounts receivable	Amortized cost
Investment in shares	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Lease obligation	Amortized cost

Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets at amortized cost

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

<u>Derecognition</u>

Financial assets

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

Property and Equipment

Property and equipment are stated at cost, less accumulated amortization, and any impairment losses, and are amortised on a declining-balance basis using the following rates and term:

Property and Equipment	
Field equipment	20% declining balance
Furniture, fixtures & office equipment	20% declining balance
Right-of-use asset	straight line over lease term
Computer software	50% declining balance

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of Non-Financial Assets

Non-financial assets, including property and equipment are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in profit or loss for the period.

Exploration and Evaluation

The Company is in the exploration stage with respect to its investment in mineral properties and is capitalizing all costs relating to the acquisition of and exploration for mineral claims and crediting all sale proceeds received against the cost of the related claims. If proceeds exceed capitalized costs, any excess is recorded as deferred exploration funding. Such costs include, but not are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation ("E&E") assets are assessed for impairment only when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount and when the Group has sufficient information to reach a conclusion about technical feasibility and commercial viability.

Consistent with IFRS 6, industry-specific indicators for an impairment review arise typically when any of the following circumstances applies:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be fully recovered from successful development or by sale.

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

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

Income Taxes

Current income taxes are based on taxable profit (loss) for the year. Taxable profit (loss) differs from profit (loss) as reported in the consolidated statement of comprehensive income/loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current income taxes are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit (loss). Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-Based Compensation Transactions

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Warrants Issued in Equity Financing Transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the residual value method and included in share capital with the common shares that were concurrently issued.

Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

Restoration, Rehabilitation and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Any material costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, will be provided for and capitalized to the carrying amount of the asset, along with a corresponding liability when any obligation to incur such costs arises. The unwinding of any value of discount will be recognized as a borrowing cost.

The Company has no material restoration, rehabilitation, and environmental obligations, as the disturbance to date is minimal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-Through Shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the market price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed on a pro-rata basis when the expenditures are made and is recorded in other income. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

Income (Loss) Per Share

The Company presents the basic income (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company determines diluted income (loss) per share whereby the dilutive effect on income (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options warrants that would be anti-dilutive.

Use of Estimates and Judgments

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

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

Significant areas requiring the use of management estimates and judgments include:

<u>Impairment</u>
Assets, especially exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Valuation of share-based compensation
The Company uses the Black-Scholes option pricing model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, risk-free interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes
In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Government Assistance

Government assistance, consisting of investment tax credits and grants is recorded as a reduction of the related expense over the period in which the related expense occurs, or is recorded as a reduction of the cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program. Investment tax credits are recorded when there is reasonable assurance that they will be realized.

Leases

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate set as the incremental borrowing rate at commencement of the lease. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognized where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

New accounting standards issued and not yet effective

Certain IFRS pronouncements that are mandatory for accounting years beginning on or after January 31, 2022, have been issued. The Company anticipates that the application of these new and revised standards, amendments and interpretations will have no material impact on its results and financial position.

All amounts in Canadian Dollars

3. EXPLORATION AND EVALUATION ASSETS

The following table summarizes the exploration expenditures incurred on each of the Company's mineral properties:

	QC Idefix	QC Huckleberry	NS Shot Rock	NL Root&Cellar	NL Merasheen	Other	Total
Percent Ownership	***100%***	***100%***	***88.5%***	***0%***	***0%***	***100%***	
At January 1, 2020	**$ 84,406**	**$ 186,241**	**$ 807,634**	**$ 106,856**	**$ -**	**$ 57,738**	**$ 1,242,875**
Expenditures							
Acquisition	3,288	7,124	85,910	48,105	49,480	-	**193,907**
Exploration	2,763	5,500	1,697,718	352,319	98,101	-	**2,156,401**
Total Expenditures	6,051	12,624	1,783,628	400,424	147,581	-	**2,350,308**
Government assistance	-	-	(88,211)	-	-	-	**(88,211)**
Property write-down	-	-	-	-	-	(48,744)	**(48,744)**
At December 31, 2020	**$ 90,457**	**$ 198,865**	**$ 2,503,051**	**$ 507,280**	**$ 147,581**	**$ 8,994**	**$ 3,456,228**
Expenditures							
Acquisition	1,529	-	13,560	74,195	1,710	-	**90,994**
Exploration	4,574	600	870,501	941,263	77,166	-	**1,894,104**
Total Expenditures	6,103	600	884,061	1,015,458	78,876	-	**1,985,098**
Government assistance	(96,560)	(199,465)	(30,000)	-	-	-	**(326,025)**
At December 31, 2021	**$ -**	**$ -**	**$ 3,357,112**	**$ 1,522,738**	**$ 226,457**	**$ 8,994**	**$ 5,115,301**

The Company currently holds a 100% interest in the Idefix and Huckleberry properties. Other properties consist of various claims in Quebec and Nova Scotia.

Shot Rock

During the year ended December 31, 2017, the Company entered into a property exploration option agreement with a prospector that gives the Company the right to acquire up to an 80% interest in the Shot Rock property in Nova Scotia.

During the year ended December 31, 2019, the Company earned a 50% interest in the property by making cash payments totaling $50,000, issuing the prospector 650,000 shares and by incurring $500,000 in expenditures on the property.

During the year ended December 31, 2020, the Company increased its interest to 80% by incurring an additional $1,500,000 in expenditures, making an additional $50,000 cash payment, and issuing an additional 500,000 shares to the prospector.

3. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2021, the Company incurred a further $884,061 (2020 - $451,704), increasing its interest further to 88.5% (2020 - $85.5%) as the prospector did not contribute to exploration.

The prospector will retain a 1% net smelter returns royalty ("NSR") of which half (0.5%) can be bought back by the Company for $1,000,000.

Root & Cellar

During the year ended December 31, 2019, the Company entered into a property exploration option agreement with a prospector that gives the Company the right to acquire up to an 100% interest in the Root & Cellar property in Newfoundland.

Under the terms of the agreement, the Company can earn a 100% interest in the property by incurring $2,150,000 in expenditures on the property within four years. The agreement also contains cash payments totaling $165,000 (of which, $60,000 has been paid) and share issuances totaling 3,000,000 shares to the prospector over three installments during the initial two-year period (of which, 1,000,000 have been issued).

The prospector will retain a 2.5% NSR of which 1.0% can be bought back by the Company for $1,500,000.

Five Islands

During the year ended December 31, 2018, the Company entered into a property exploration option agreement with a prospector that gives the Company the right to acquire up to an 80% interest in a new property in Nova Scotia named "Five Islands".

The Company terminated the option agreement and wrote off costs totaling $48,744 during the year ended December 31, 2020.

Merasheen

During the year ended December 31, 2020, the Company acquired two licences through staking and, through an option agreement, acquired the right to earn a 100% interest in an adjacent licence, known collectively as the Merasheen property in Newfoundland.

Under the terms of the agreement, the Company can earn a 100% interest in the license by incurring $2,000,000 in expenditures within four years. The agreement also contains cash payments totalling $115,000 (of which $5,000 has been paid) and share issuances totalling 1,600,000 Company shares (of which 150,000 have been issued) to the vendor over the four-year period.

The vendor will retain a 1.5% NSR of which 1% can be bought back by the Company for $2,000,000.

All amounts in Canadian Dollars

4. PROPERTY AND EQUIPMENT

	Field Equipment	Furniture/ Fixtures	Office Equipment	Right-of-Use Asset	Computer Software	Total
Cost						
January 1, 2020	$ 208,582	$ 29,980	$ 138,667	$ 83,490	$ 45,658	**$ 506,377**
Additions	7,630	-	972	-	-	**8,602**
December 31, 2020	216,212	29,980	139,639	83,490	45,658	**514,979**
Additions	7,972	-	-	-	-	**7,972**
December 31, 2021	$ 224,184	$ 29,980	$ 139,639	$ 83,490	$ 45,658	**$ 522,951**
Accumulated Amortization						
January 1, 2020	$ (173,376)	$ (26,744)	$ (106,363)	$ (30,360)	$ (42,505)	**$ (379,348)**
Amortization	(7,544)	(601)	(6,154)	(30,360)	(1,305)	**(45,964)**
December 31, 2020	(180,920)	(27,345)	(112,517)	(60,720)	(43,810)	**(425,312)**
Amortization	(7,855)	(489)	(5,033)	(22,770)	(765)	**(36,912)**
December 31, 2021	$ (188,775)	$ (27,834)	$ (117,550)	$ (83,490)	$ (44,575)	**$ (462,224)**
Carrying Values						
December 31, 2020	$ 35,292	$ 2,635	$ 27,122	$ 22,770	$ 1,848	**$ 89,667**
December 31, 2021	$ 35,409	$ 2,146	$ 22,089	$ -	$ 1,083	**$ 60,727**

Amortization of exploration-related assets in the amount of $7,855 was allocated to mineral properties during the year ended December 31, 2021 (2020 - $7,544).

5. LEASE OBLIGATION

Lease obligation (and right-of-use assets – see Note 4) comprises the Company's office space. The lease liability was measured at the present value of the remaining lease payments of $93,291 as of January 1, 2019, discounted using an interest rate of 8%, which is the Company's incremental borrowing rate. The continuity of the lease obligation is presented in the table below:

Balance at January 1, 2020	**$ 55,224**
Interest expense	3,312
Lease payments	(33,924)
Balance at December 31, 2020	**$ 24,612**
Interest expense	831
Lease payments	(25,443)
Balance at December 31, 2021	**$ -**

The lease expired in September 2021.

All amounts in Canadian Dollars

6. DEFERRED FLOW-THROUGH PREMIUM LIABILITY

This amount represents the deferred flow-through premium liability recognized on flow-through share issuances that will be recorded as other income as the flow-through funds raised are expended on exploration.

The following is a continuity of the flow-through premium liability:

Balance at January 1, 2020	**$ 213,180**
Additions to flow-through premium liability	394,000
Settlement of liability through qualified expenditures	(443,127)
Balance at December 31, 2020	**164,053**
Additions to flow-through premium liability	113,959
Settlement of liability through qualified expenditures	(257,984)
Balance at December 31, 2021	**$ 20,028**

As at December 31, 2021, the Company is obligated to spend approximately $82,500 (2020 - $680,000) on qualifying expenditures related to its flow-through shares issuances.

7. SHARE CAPITAL

Authorized and Issued

An unlimited number of voting common shares are authorized for issue and, subject to priority rights of other share classes, are entitled to receive dividends when and if declared by the Board of Directors. There were 291,683,550 voting common shares issued and outstanding at December 31, 2021 (2020 – 279,887,716).

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at December 31, 2021 (2020 - nil).

Property Options

During the year ended December 31, 2021, 400,000 shares were issued as consideration for maintaining certain property options (2020 – 1,000,000). The shares were valued at $32,000 (2020 – $91,500).

Private Placements

During the year ended December 31, 2020, the Company issued 3,333,333 units at $0.09 per unit for gross proceeds of $300,000. Each unit consisted of one common share and one-half common share purchase warrant.

7. SHARE CAPITAL (continued)

A further 9,938,462 units were issued at $0.13 per unit for gross proceeds of $1,292,000, of which $40,000 was received during fiscal 2021. Each unit consisted of one common share and one-half common share purchase warrant.

A further 4,125,000 units were issued at $0.08 per unit for gross proceeds of $330,000, of which $40,000 was received during fiscal 2021. Each unit consisted of one common share and one-half common share purchase warrant.

Flow-Through Private Placements

During the year ended December 31, 2021, the Company issued 5,000,000 flow-through shares at $0.06 per share for gross proceeds of $300,000. The difference between the issue price of the shares and market value on date of issuance of $50,000 was recorded as deferred flow-through liability.

A further 6,395,834 flow-through share units were issued at $0.064 per unit for gross proceeds of $409,333. Each unit consisted of one flow-through share and one-half non-flow-through common share purchase warrant. An amount of $25,583 was attributed to the warrants. An amount of $63,959 was recorded as deferred flow-though liability.

During the year ended December 31, 2020, the Company issued 8,000,000 flow-through share units at $0.175 per unit for gross proceeds of $1,400,000. Each unit consisted of one flow-through share and one-half non-flow-through common share purchase warrant. The difference between the issue price of the shares and market value on date of issuance of $360,000 was recorded as deferred flow-through liability.

A further 1,700,000 flow-through shares were issued at $0.10 per share for gross proceeds of $170,000. The difference between the issue price of the shares and market value on date of issuance of $34,000 was recorded as deferred flow-though liability.

Warrants Exercised

During the year ended December 31, 2020, 400,000 shares were issued upon the exercise of warrants for gross proceeds of $44,000.

Share Issue Costs

During the year ended December 31, 2021, a total of $37,238 of share issue costs were incurred. This amount included the issuance of 280,000 finders' warrants valued at $5,320, estimated using the Black-Scholes option pricing model, with an estimated volatility of 103%, dividend rate of 0% and risk-free rate of 0.5% and expected life of 2 years.

All amounts in Canadian Dollars

7. SHARE CAPITAL (continued)

During the year ended December 31, 2020, a total of $79,677 of share issue expenses were incurred. This amount included the issuance of 233,333 finders warrants with a value of $7,933, estimated using the Black-Scholes option pricing model, with an estimated volatility of 74%, dividend rate of 0% and risk-free rate of 1.7% and expected life of 2 years.

Warrants

During the year ended December 31, 2021, a total of 3,477,917 warrants were issued (2020 – 12,931,733) as part of the above-mentioned private placements - including 280,000 finders warrants (2020 – 233,333).

During the year ended December 31, 2021, 3,451,296 warrants expired (2020 – nil) and their aggregate value of $33,608 (2020 - $nil) was transferred to share capital.

The following continuity summarizes the Company's outstanding warrants over the period covered by these Financial Statements:

	Quantity	Weighted Average Exercise Price
Balance, January 1, 2020	**14,955,926**	**$ 0.11**
Issued	12,931,733	0.18
Exercised	(400,000)	**0.11**
Balance, December 31, 2020	**27,487,659**	**0.14**
Issued	3,477,917	0.10
Expired	(3,451,296)	0.14
Balance, December 31, 2021	**27,514,280**	**$ 0.14**

All amounts in Canadian Dollars

7. SHARE CAPITAL (continued)

Additional information regarding warrants outstanding as at December 31, 2021:

Issue Date	Exercise Price	Quantity	Expiry Date
March 6, 2019	$ 0.10	1,766,667	March 6, 2022*
December 9, 2019	$ 0.10	7,287,963	June 9, 2022**
December 17, 2019	$ 0.10	2,050,000	June 17, 2022***
January 27, 2020	$ 0.18	1,666,667	January 27, 2022****
January 27, 2020	$ 0.10	233,333	January 27, 2022****
August 22, 2020	$ 0.20	8,969,232	August 22, 2022
December 30, 2020	$ 0.11	2,062,501	December 30, 2022
September 24, 2021	$ 0.10	200,000	September 24, 2023
September 28, 2021	$ 0.10	3,197,917	September 28, 2023
September 28, 2021	$ 0.10	80,000	September 28, 2023
		27,514,280	

** During the year ended December 31, 2021, the expiry date of the warrants issued March 6, 2019, was extended to March 6, 2022 and expired subsequent to the 2021 fiscal year end.*
*** During the year ended December 31, 2021, the expiry date of the warrants issued December 9, 2019, was extended to June 9, 2022.*
**** During the year ended December 31, 2021, the expiry date of the warrants issued December 17, 2019, was extended to June 17, 2022.*
**** Subsequent to year-end, the warrants expired unexercised.*

Stock options

The Company has established a Stock Option Plan (the "Plan") to develop the interest and incentive of eligible employees, directors and consultants in the Company's growth and development. The aggregate number of share options which may be issued and outstanding at any time under this plan shall not exceed 10% of the total number of issued and outstanding shares of the Company unless the Company receives the permission of the TSX-V and its shareholders. As at December 31, 2021, 29,168,355 common share options were authorized to be issued and outstanding under the Plan (2020 – 27,988,772). Stock options are granted with an exercise price equal to the underlying common stock's fair value at the time of grant. Once vested, options may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the option holder ceases to be a director, officer, employee or consultant of the Company.

All amounts in Canadian Dollars

7. SHARE CAPITAL (continued)

The following summarizes the Company's outstanding option obligations over the period covered by these Financial Statements:

	Quantity	Weighted Average Exercise Price
Balance, January 1, 2020	**16,150,000**	**$ 0.13**
Issued	700,000	0.10
Expired	(350,000)	0.10
Balance, December 31, 2020	**16,500,000**	**0.12**
Expired	(6,850,000)	0.16
Balance, December 31, 2021	**9,650,000**	**$ 0.10**

At December 31, 2021, the remaining pool of options available for grant was 19,518,355 (2020 – 11,488,772).

Additional information regarding options outstanding as at December 31, 2021:

Issue Date	Exercise Price	Quantity	Expiry Date	Exercisable
June 30, 2017	$ 0.10	5,000,000	June 30, 2022	5,000,000
June 25, 2019	$ 0.10	4,000,000	June 25, 2024	4,000,000
January 15, 2020	$ 0.10	650,000	January 15, 2025	650,000
		9,650,000		**9,650,000**

Share-based compensation

The Black-Scholes option pricing model, used by the Company to calculate option values, was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, summarized in the table below.

Assumptions	**2021**	2020
Lifetime	n/a	5 years
Interest Rate	n/a	1.6
Annual Volatility	n/a	122%
Dividends	n/a	none

During the year ended December 31, 2021, the Company incurred an expense of $nil relating to options granted and vested during the year (2020 - $51,800). The entire amount was attributable to the General and Administrative function (Note 9).

All amounts in Canadian Dollars

8. LOSS PER SHARE

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. As the Company has recorded a loss in each of the years presented, the following table presents the securities excluded from the loss per share computation for the years ended December 31, 2021, and 2020:

	2021	2020
Stock options	**9,650,000**	16,500,000
Stock purchase warrants	**27,514,280**	27,487,659
	37,164,280	43,987,659

9. NATURE OF EXPENSES

General and administrative expenses comprised the following during the years ended December 31:

	2021	2020
Remuneration and consulting fees (Note 10)	**$ 347,478**	$ 344,836
Office expenses	**103,373**	97,958
Travel expenses	**1,661**	16,986
Marketing expenses	**20,385**	189,848
Professional fees (Note 10)	**179,948**	81,147
Public company expenses	**39,015**	57,642
Insurance expenses	**24,400**	17,944
Amortization (Note 4)	**29,057**	38,420
	745,317	844,781
Share-based compensation (Note 7)	**-**	51,800
	$ 745,317	**$ 896,581**

10. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

All amounts in Canadian Dollars

10. RELATED PARTY TRANSACTIONS (continued)

The following table presents the compensation earned by key members of management during the years ended December 31, noted below:

	2021	2020
Salaries	**$ 268,037**	$ 237,703
Benefits	**7,474**	6,426
	$ 275,511	$ 244,129

The following table presents the professional fees that, during the years ended December 31, the Company incurred with two law firms which, at one, a Director of the Company is a partner and at the other, the Company's corporate secretary is a partner.

	2021	2020
Board Member	**$ 300**	$ 2,677
Corporate Secretary	**148,230**	69,010

Amounts owed to the two related-party firms at the years ended December 31:

	2021	2020
Board Member	$ -	$ -
Corporate Secretary	**91,060**	9,485

11. GOVERNMENT ASSISTANCE

During the year ended December 31, 2021, $553,343 (2020 - $88,211) of government resource tax credit was received, of which $326,025 (2020 - $88,211) was applied against capitalized exploration expenditures (Note 3) and the remaining $227,318 (2020 - $Nil) recorded as other income.

All amounts in Canadian Dollars

12. INCOME TAXES

Tax reconciliation

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

	2021	2020
Loss for the year	**(233,039)**	(588,849)
Expected income tax (recovery)	**(62,000)**	(156,000)
Change in tax rates and other	**(4,000)**	86,000
Permanent differences	**(68,000)**	(87,000)
Impact of flow-through shares	**300,000**	515,000
Share issue costs	**(8,000)**	(19,000)
Adjustment to prior years provision versus statutory tax returns	**46,000**	(99,000)
Change in unrecognized deductible temporary differences	**(204,000)**	(240,000)
Total Income tax expense (recovery)	**-**	-

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

	2021	**2020**
Deferred tax assets (liabilities)		
Exploration and evaluation assets, and equipment	$ 1,139,000	$ 1,546,000
Investment tax credits	621,000	621,000
Share issuance costs	25,000	25,000
Non-capital losses available for future periods	3,203,000	3,000,000
	4,988,000	5,192,000
Unrecognized deferred tax assets	(4,988,000)	(5,192,000)
Net deferred tax credits	**$ -**	**$ -**

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:

Temporary Differences	**2021**	**Expiry Dates**	**2020**	**Expiry Dates**
Exploration and evaluation assets, and equipment	$ 4,299,000	Not applicable	$ 5,829,000	Not applicable
Investment tax credit	844,000	2023 to 2034	844,000	2023 to 2034
Share issuance costs	93,000	2022 to 2025	96,000	2021 to 2024
Non-capital losses available for future periods	12,086,000	2027 to 2041	11,319,000	2027 to 2040

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

13. SEGMENT INFORMATION

The Company has one operating segment involved in the exploration of resource properties. All the Company's exploration activities were in Canada.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Company's income (loss) or the value of its financial instruments.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Foreign exchange risk

The Company is not exposed to significant foreign exchange risk due to the low volume of foreign currency transactions.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

a) Concentration of credit risk

Counterparties expose the Company to credit-related losses in the event of non-performance. By dealing with only creditworthy counterparties, the Company's credit exposure is minimized. There were no amounts due to the Company from non-governmental counterparties at December 31, 2021.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk (continued)

b) Credit risk exposure

The carrying amounts of the cash, and amounts receivable represent the maximum exposure to credit risk. The maximum exposure to credit risk at December 31, 2021 was $461,021 (2020 - $1,837,687). The cash is held by the Company's banks, two of the large Canadian chartered banks. Since the inception of the Company, no losses have been suffered in relation to cash held in the bank. Amounts receivable are due from a government agency.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at December 31, 2021, the Company had a cash balance of $301,621. To date, the Company has incurred significant operating losses. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient capital through either revenues or through further financings. The Company is exposed to liquidity risk.

Fair values

a) The fair value of amounts receivable, accounts payable and accrued liabilities and lease liability is approximately equal to their carrying value due to their short terms to maturity.

b) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Fair values (continued)

b) Fair value hierarchy (continued)

Level 2 - valuation techniques based on 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);

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of the investment in shares is determined based on recent market transactions for similar instruments issued by that company. Cash and the investment in shares are level 1 instruments.

15. CAPITAL MANAGEMENT

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to fund future exploration and maintain the ability to continue as a going concern. Capital is defined as the Company's shareholders' equity. The Company does not have any long-term debt and the Company does not intend to assume any until any given development project warrants it. The Board of Directors does not establish quantitative capital criteria for management; but rather promotes the use of periodic equity financing events as the primary method of funding administrative operations and exploration and development. Other methods open to management to fund exploration include extending joint venture or earn-in opportunities to other parties relating to specific properties.

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.