ARCTIC STAR EXPLORATION CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited – Prepared by the Management)

PERIODS ENDED JUNE 30, 2021 AND 2020
(Expressed in Canadian dollars)

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NOTICE – NO Auditor Review of the Interim Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of Arctic Star Exploration Corp. ("the Company"), for the six months ended June 30, 2021, have been prepared by management and have not been the subject of a review by the Company's external independent auditor.

Arctic Star Exploration Corp.
Consolidated Statements of Financial Position
(expressed in Canadian Dollars)

		June 30, 2021		December 31, 2020
ASSETS				
Current				
Cash	**$**	**897,697**	$	30,454
Accounts receivable (Notes 6)		**151,322**		9,259
Prepaid expenses (Note 5 and 11)		**193,403**		21,040
		1,242,422		60,753
Equipment (Note 7)		**3,341**		4,310
Reclamation bond (Note 8)		**15,607**		15,607
Exploration and evaluation assets (Note 8)		**6,444,687**		4,636,859
	$	**7,706,057**	$	4,717,529
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 5)	**$**	**210,027**	$	219,697
Due to related parties (Note 5 and 11)		**363,172**		435,683
		573,199		655,380
Shareholders' equity				
Share capital (Note 9)		**59,055,478**		55,619,334
Reserves (Note 10)		**7,999,138**		6,554,664
Deficit		**(60,022,406)**		(58,331,329)
Equity attributable to shareholders		**7,032,210**		3,842,669
Non-controlling interest (Note 5)		**100,648**		219,480
		7,132,858		4,062,149
	$	**7,706,057**	$	4,717,529

Nature and continuance of operations (Note 1)
Segmented information (Note 13)
Subsequent events (Note 14)

These consolidated financial statements were approved by the Board of Directors on August 27, 2021.

"Patrick Power"
Director – Patrick Power

"Buddy Doyle"
Director – Buddy Doyle

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

Arctic Star Exploration Corp.
Interim Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian Dollars)

For the periods ended March 31,	Three Months Ended June 30 2021	Three Months Ended June 30 2020	Six Months Ended June 30 2021	Six Months Ended June 30 2020
Expenses				
Accounting and audit (Note 11)	**$ 26,012**	$ 26,022	**$ 54,717**	$ 61,276
Administration fees (Note 5)	**37,500**	-	**75,000**	-
Advertisement and promotional (Note 5)	**62,501**	-	**124,001**	-
Bank charges	**1,190**	370	**1,807**	837
Consulting fees (Note 11)	**266,948**	141,048	**397,243**	333,387
Depreciation (Note 7)	**484**	881	**969**	1,763
Filing fees	**21,215**	5,993	**27,165**	17,246
Foreign exchange	**449**	(175)	**628**	539
Investor relation	**15,000**	-	**25,000**	-
Legal	**10,736**	5,164	**37,045**	16,901
Office and administration	**10,759**	11,226	**20,087**	20,457
Rent (Note 11)	**6,457**	10,765	**12,898**	21,415
Shareholders' information	**19,226**	101	**19,528**	1,152
Stock-based compensation (Note 10 and 11)	**767,560**	-	**981,030**	146,330
Transfer agent fees	**4,388**	3,113	**6,510**	6,693
Travel	**46,359**	2,844	**61,281**	9,165
Operating loss	**(1,296,784)**	(207,352)	**(1,844,909)**	(637,161)
Sale of shares (Note 5 and 11)	**-**	**-**	**35,000**	**-**
Recovery of rent	**-**	4,334	**-**	8,493
Loss and Comprehensive loss for the period	**$ (1,296,784)**	$ (203,018)	**$ (1,809,909)**	$ (628,668)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:				
Shareholders of the Company	**(1,204,758)**	(201,497)	**(1,691,077)**	(623,109)
Non-controlling interest	**(92,026)**	(1,521)	**(118,832)**	(5,559)
	(1,296,784)	(203,018)	**(1,809,909)**	(628,668)
Loss per common share – basic and diluted	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	**110,212,756**	44,730,375	**87,060,136**	42,119,584

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

Arctic Star Exploration Corp.
Interim Consolidated Statements of Changes in Equity
(expressed in Canadian Dollars)

	Number of Shares	Share Capital	Shares Subscribed	Reserves	Deficit	Subtotal	Non-Controlling Interest	Shareholder's Equity
Balance December 31, 2019	**25,962,854**	**54,151,598**	**407,276**	**6,467,073**	**(56,915,526)**	**4,110,421**	**228,775**	**4,339,196**
Shares subscribed	-	-	(407,276)	-	-	(407,276)	-	(407,276)
Private placements - net	35,728,000	1,328,149	-	-	-	1,328,149	-	1,328,149
Shares issued as per advertising agreement	271,200	10,848	-	-	-	10,848	-	10,848
Options exercised	1,000,000	70,000	-	-	-	70,000	-	70,000
Fair value of options exercised	-	58,739	-	(58,739)	-	-	-	-
Fair value of stock options granted	-	-	-	146,330	-	146,330	-	146,330
Loss for the year	-	-	-	-	(1,415,803)	(1,415,803)	(9,295)	(1,425,098)
Balance December 31, 2020	**62,962,054**	**$ 55,619,334**	**$ -**	**$ 6,554,664**	**$ (58,331,329)**	**$ 3,842,669**	**$ 219,480**	**$ 4,062,149**
Private placements - net	48,000,000	2,700,033	-	-	-	2,700,033	-	2,700,033
Warrants exercised	5,414,000	530,500	-	-	-	530,500	-	530,500
Options Exercised	1,300,000	121,000	-	-	-	121,000	-	121,000
Shares issued by subsidiary for cash	-	-	-	455,000	-	455,000	-	455,000
Shares subscribe by subsidiary	-	-	-	52,375	-	52,375	-	52,375
Fair value of stock options exercised	-	100,703	-	(100,703)	-	-	-	-
Shares issued as per advertising agreement	615,697	40,680	-	-	-	40,680	-	40,680
Fair value of brokers warrants	-	(56,772)	-	56,772	-	-	-	-
Fair value of stock options granted	-	-	-	981,030	-	981,030	-	981,030
Loss for the period	-	-	-	-	(1,691,077)	(1,691,077)	(118,832)	(1,809,909)
Balance June 30, 2021	**118,291,751**	**$ 59,055,478**	**$ -**	**$ 7,999,138**	**$ (60,022,406)**	**$ 7,032,210**	**$ 100,648**	**$ 7,132,858**

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

Arctic Star Exploration Corp.
Interim Consolidated Statements of Cash Flows
(expressed in Canadian Dollars)

For the period ended March 31,	Three Months Ended June 30 2021	Three Months Ended June 30 2020	Six Months Ended June 30 2021	Six Months Ended June 30 2020
Cash flows from (used in)				
Operating activities				
Loss for the period	$ (1,296,784)	$ (203,018)	$ (1,809,909)	$ (628,668)
Items not affecting cash:				
Depreciation	484	881	969	1,763
Shares issued for services	40,680	-	40,680	-
Stock-based compensation	767,560	-	981,030	146,330
Changes in non-cash working capital items:				
Accounts receivable	(123,705)	222,375	(142,063)	(18,565)
Subscriptions receivables	550,150	-	-	-
Due from related party	-	2,863	-	-
Prepaid expenses	55,068	53,635	(172,363)	(32,547)
Accounts payable and accrued liabilities	(92,833)	(156,013)	(9,670)	(90,012)
	(99,380)	(79,277)	(1,111,326)	(621,699)
Investing activities				
Exploration advance	600,000	-	-	-
Exploration and evaluation asset expenditures	(1,760,847)	223	(1,807,828)	(27,625)
	(1,160,847)	223	(1,807,828)	(27,625)
Financing activities				
Proceeds from issuance of shares	800,000	-	2,800,000	888,400
Shares issue costs	(41,867)	-	(99,967)	(2,507)
Shares issued by subsidiary	455,000	-	455,000	-
Shares subscribed by subsidiary	52,375	-	52,375	-
Proceeds from options exercised	121,000	-	121,000	70,000
Proceeds from warrants exercised	449,700	-	530,500	-
Share subscriptions received in advance	-	95,500	-	(311,776)
Due to related parties	(333,328)	31,617	(72,511)	39,617
	1,502,880	127,117	3,786,397	683,734
Change in cash during the period	242,653	48,063	867,243	34,410
Cash, beginning of the period	655,044	3,248	30,454	16,901
Cash, end of the period	$ 897,697	$ 51,311	$ 897,697	$ 51,311

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Arctic Star Exploration Corp. (the "Company") was federally incorporated under the Canada Business Corporations Act on January 5, 2001. Effective September 15, 2004, the Company registered as an extra-territorial corporation in the Northwest Territories. The Company's shares are listed on the TSX Venture Exchange (TSX-V) and trades under the symbol ADD. The Company's registered office is located at Suite 1100 – 1111 Melville Street, Vancouver BC, V6E 3V6.

The Company is in the process of exploring its exploration and evaluation properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from mining properties or proceeds from their disposition.

At June 30, 2021, the Company had a working capital of $669,223 (December 31, 2020 – negative $594,627), had not yet achieved profitable operations, has a deficit of $60,022,406 (December 31, 2020 - $58,331,329) since its inception. During the period ended June 30, 2021, the Company recorded a loss of $1,809,909 (2020 - $628,668) and expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work programs on its mineral properties, meet its on-going levels of corporate overhead and commitments, keep its properties in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned work programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, the consolidated financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. As at the date of this report, the Company has not been significantly impacted by the spread of COVID19. However, the duration and impact of the COVID-19 outbreak is unknown at this time, as well as the effectiveness of government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These interim consolidated financial statements, as at and for the six months ended June 30, 2021, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

2. BASIS OF PRESENTATION (CONTINUED)

(b) Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All financial information in these consolidated financial statements is presented in Canadian dollars which is the functional currency of the parent Company and its subsidiaries. The accounting policies set out below have been applied consistently by the Company.

All significant inter-company balances and transactions have been eliminated.

(c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiary Foriet Oy and its 65% (December 31, 2021 – 70.5%) held subsidiary, Eagle Bay Exploration Corp. ("Eagle Bay"). All significant inter-company balances and transactions have been eliminated. Subsidiaries are entities controlled by the Company, and are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiary have been changed where necessary to align them with policies adopted by the Company.

(d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the consolidated financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments:

- the Company is entitled to refundable input tax credits and tax credits on qualified resource expenditures incurred in Canada. Management's judgment is applied in determining whether expenditures are eligible for claiming such credits;
- the Company is required to spend proceeds received from the issuance of flow-through shares on qualifying resource expenditures. Management's judgment is applied in determining whether qualified expenditures have been incurred. Differences in judgment between management and regulatory authorities can materially increase the flow-through premium liability and outstanding commitments;
- the Company capitalizes acquisition, exploration and evaluation expenditures on its statement of financial position, and evaluates these amounts at least annually for indicators of impairment; and
- the Company determines the flow-through share premium by allocating the total funds received between common share and flow-through premium liability by first assessing the fair value of the common shares issued, based on market price at issuance, with any excess considered being allocated to warrants (if any) and the flow-through premium.
- The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting.

2. BASIS OF PRESENTATION (CONTINUED)

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

Estimates:

- the estimated useful lives and residual value of equipment which are included in the statement of financial position and the related amortization included in the statement of loss and comprehensive loss;
- fair value of the assets received in an asset acquisition as well as the associated non-controlling interest at acquisition;
- the recoverability and expected credit losses on loans receivable and accounts receivable;
- the inputs in accounting for share-based compensation transactions in the statement of loss and comprehensive loss (using the Black-Scholes model) including volatility, probable life of options granted, time of exercise of the options and forfeiture rate; and
- the determination and recognition of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

Cash includes cash held in banks and in trust with legal counsel. As at June 30, 2021, $897,697 (December 31, 2020 - $30,454).

(b) Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar and this is also the currency in which it presents these consolidated financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions.

(c) Exploration and evaluation assets

Acquisition costs of exploration and evaluation assets together with direct expenditures thereon are capitalized to the statement of financial position. Once a project has been established as commercially viable and technically feasible, exploration and evaluation assets are reclassified as tangible assets. When production is attained these costs will be amortized using the unit of production method based upon estimated proven recoverable reserves. When deferred expenditures on individual producing properties exceed the estimated net realizable value, the properties are written down to the estimated value. Costs relating to properties abandoned are written off when the decision to abandon is made. Any excess of a recovery over the book value is charged to profit and loss.

The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Exploration and evaluation assets (continued)

Exploration costs that are not attributable to a specific property are charged to operations as general exploration expense. Exploration costs incurred prior to the Company acquiring the legal rights to a property are charged to operations as general exploration expense.

The Company is in the process of exploring its exploration and evaluation assets. Management reviews the carrying value of the exploration and evaluation assets on a periodic basis and will recognize impairment in value based upon current exploration and development results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values. The ultimate recovery of such capitalized costs is dependent upon the development of economic ore reserves or the sale of mineral rights.

(d) Equipment

Equipment is carried at cost less accumulate depreciation and impairment charges. Depreciation is computed over the assets' estimated useful lives using the declining balance method at the following rates per annum.

Computer equipment	45%

Equipment is derecognized upon disposal, when held for sale, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

(e) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's 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. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(f) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. During the period ended June 30, 2021, there were 75,476,000 warrants (June 30, 2020 – 21,321,601) and 11,723,750 stock options (June 30, 2020– 2,443,750) excluded from loss per share as they were antidilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Common shares

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate. 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 private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

Common shares designated by agreement as flow-through shares, may be issued at a premium to non-flow-through common shares. On issuance, the Company allocates the flow-through share into i) fair value of capital stock and ii) the residual as a flow-through share premium, which is recognized as a liability. On issuance of a flow-through unit when no comparable non flow-through units have been issued, the Company allocates the flow-through unit into i) fair value of capital stock, ii) fair value of a warrant and iii) the residual as a flow-through share premium, which is recognized as a liability. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax recovery. The Company is required to spend the proceeds received from issuance of flow-through shares on Canadian resource property exploration expenditures within a two-year period.

(h) Share-based payments

The Company grants stock options to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted. The Company accounts for share-based compensation using the fair value method.

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are 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 value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Any consideration received on the exercise of stock options together with the related portion of reserves is credited to share capital.

(i) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mining properties and other assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Provision for environmental rehabilitation (continued)

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss. The costs of rehabilitation projects that were included in the rehabilitation provision are recorded against the provision as incurred. The cost of ongoing current programs to prevent and control pollution is charged against profit and loss as incurred.

(j) Non-controlling interests

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interests. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. See Notes 5 for non-controlling interest disclosures.

(k) Financial instruments

(i) 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 debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Financial assets/liabilities	Classification
Cash	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

(ii) Measurement

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

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

(iii) Impairment of financial assets at amortized cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(iv) Derecognition of financial assets

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

(l) Agent warrants and warrants

Warrants issued to agents in connection with a financing are recorded at fair value using the Black-Scholes option pricing model and charged to share issue costs associated with the offering with an offsetting credit to reserves in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are valued using the residual value method whereby proceeds are first allocated to the fair value of the shares and the excess if any, allocated to the warrants.

(m) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

(n) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(o) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset over a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from the use of the asset during the term of the contract and it has the right to direct the use of the asset.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. The right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted by the interest rate implicit in the lease or, if that rate cannot be readily determined the incremental borrowing rate. The lease liability is subsequently measured at amortized cost using the effective interest method. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments, and amounts expected to be payable at the end of the lease term.

The Company does not recognize the right-of-use assets and lease liabilities for short-term leases that have a lease term of twelve months or less. The lease payments associated with these leases are charged directly to income on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences, between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

(p) Investment in associate

Associated companies over which the Company has significant influence are accounted for using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses and reduced by dividends received. The Company assesses its equity investments for impairment if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated.

(q) New accounting standards interpretations issue but not yet adopted

IAS 16 – Property, plant and equipment – Proceeds before intended use ("IAS 16") has been amended to clarify the accounting for the net proceeds from selling any items produced while bringing an item of property, plant or equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss. These amendments are effective for periods beginning on or after January 1, 2022. The Company is currently assessing the impact of this amendment.

IAS 37–Provisions ("IAS 37"), has been amended to clarify the meaning of "costs to fulfil a contract", which comprise the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. These amendments are effective for periods beginning on or after January 1, 2022, with early application permitted. The Company is currently assessing the impact of this amendment.

IAS 1 –Presentation of Financial Statements ("IAS 1"), has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023, with early application permitted. The Company is currently assessing the impact of this amendment.

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES

(a) Fair value of financial instruments

As at June 30, 2021 and December 31, 2020, the Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and due to related parties.

IFRS requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. IFRS establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS prioritizes the inputs into three levels that may be used to measure fair value.

(expressed in Canadian dollars)

4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES (CONTINUED)

Level 1: Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2: Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the net asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

	Level 1	Level 2	Level 3	Total
June 30, 2021				
Cash	**$ 897,697**	**$ -**	**$ -**	**$ 897,697**
	$ 897,697	**$ -**	**$ -**	**$ 897,697**
December 31, 2020				
Cash	$ 30,454	$ -	$ -	$ 30,454
	$ 30,454	$ -	$ -	$ 30,454

The fair value of cash is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at June 30, 2021 and December 31, 2020, the Company believes that the carrying values of accounts receivable, accounts payable and accrued liabilities and due to related parties approximate the fair values because of their nature and relatively short maturity dates or durations.

(b) Risk Management

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligation resulting in financial loss to the Company. Credit risk is primarily related to the Company's cash and accounts receivable. To minimize this risk, cash has been placed with major Canadian financial institutions. The maximum exposure to credit risk for cash is $897,697 (December 31, 2020 – $30,454). Collectability for accounts receivable is assessed on an ongoing basis and a provision for impairment recorded as necessary.

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.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flows, the Company has relied primarily on equity financings and loans from related parties to meet its capital requirements and current financial obligations (Note 1).

Commodity Price Risk

The Company's ability to raise capital to find exploration or development activities and the determination of impairment of exploration and evaluation assets is subject to risk associated with fluctuations in the market prices of diamonds.

(c) Capital management

The Company considers its capital structure to include working capital and shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable. The Company's share capital is not subject to any external restriction and the Company did not change its approach to capital management during the period.

(expressed in Canadian dollars)

5. ACQUISITION OF EAGLE BAY

On February 11, 2019, the Company acquired 70.5% of Eagle Bay, a private company incorporated in the Province of British Columbia, in exchange for vending its $640,358 in exploration expenditures on the Cap property into the entity. At the time of the acquisition, Eagle Bay did not have any assets or liabilities. The transaction was under common control and as a result, the balances transferred at their carrying value. There was no impact on the Company's consolidated financial statements as they maintained control on the completion of the transaction. Concurrent with the transfer, Eagle Bay completed a private placement for 7,100,000 common shares of Eagle Bay at $0.025 for gross proceeds of $177,500. The 7,100,000 common shares represented the 29.5% non-controlling interest in Eagle Bay. As such, the Company has recorded the pro-rata fair value of the non-controlling interest's portion of the assets at the time, resulting in a charge of $267,443 to non-controlling interest.

Eagle Bay's loss for the year ended December 31, 2020 was $31,510 (2019 - $134,696) with the non-controlling interest's share at 29.5% (2019 – 29.5%) resulting in a charge of $9,295 (2019 - $38,668) to non-controlling interest. As at December 31, 2020, the non-controlling interest balance was $219,480 (2019 - $228,775).

During the period ended June 30, 2021, the Company and Eagle Bay entered into a sales agreement with Zimtu, a related party, whereby Zimtu has agreed to purchase up to 8,100,000 of the Company's shares in Eagle Bay. The Company sold 1,400,000 common shares of Eagle Bay for total proceeds of $35,000.

As at June 30, 2021, the significant assets and liabilities of Eagle Bay had included the following:

	June 30, 2021	December 31, 2020
Cash	**$181,963**	$13,095
Receivables	**21,948**	5,467
Prepaid (Note 11)	**149,752**	12,252
Total current assets	**353,663**	30,814
Other assets	**1,950**	2,516
Exploration assets	**640,356**	640,356
Total assets	**$995,969**	$673,686
Account payable	**30,568**	16,961
Due to related parties (Note 11)	**-**	10,075
Total liabilities	**$30,568**	$27,036

(expressed in Canadian dollars)

5. ACQUISITION OF EAGLE BAY (continued)

Eagle Bay's loss for the period ended June 30 2021 was $188,623 (2020 - $18,845) with the non-controlling interest's share at 63% (2020 – 29.5%) resulting in a charge of $118,832 (2020 - $5,559) to non-controlling interest. As at June 30, 2021, the non-controlling interest balance was $100,648 (December 31, 2020 - $219,480). Expenses of Eagle Bay are as follows:

	June 30, 2021	June 30, 2020
Accounting and audit fees (Note 11)	**$1,000**	$9,000
Administration fees (Note 11)	**75,000**	-
Advertising and promotion (Note 11)	**79,626**	-
Bank charges	**39**	30
Consulting	**25,000**	-
Depreciation	**566**	1,029
Legal fees	**7,245**	-
Office expense	**147**	8,786
Total Expenses	**$188,623**	$18,845

6. ACCOUNTS RECEIVABLE

		June 30, 2021		December 31, 2020
GST receivable	**$**	**126,496**	$	7,578
Due from director (Note 11)		**24,826**		-
Other receivable		**-**		1,681
	$	**151,322**	$	9,259

7. EQUIPMENT

Cost		**Computer equipment**
Balance at December 31, 2019	$	16,982
Additions		-
Balance at December 31, 2020		16,982
Additions		-
Balance June 30, 2021	**$**	**16,982**

Accumulated depreciation		**Computer equipment**
Balance at December 31, 2019	$	9,147
Depreciation		3,525
Balance at December 31, 2020		12,672
Depreciation		969
Balance June 30, 2021	**$**	**13,641**

(expressed in Canadian dollars)

7. EQUIPMENT (CONTINUED)

Net carrying amounts		**Total**
At December 31, 2019	$	7,835
At December 31, 2020	$	4,310
At June 30, 2021	**$**	**3,341**

8. EXPLORATION AND EVALUATION ASSETS

	Diagras	**Cap**	**Stein**	**Timantti**	**Total**
Exploration Expenditures:					
Balance, December 31, 2020	$ 627,256	$ 640,358	$ -	$ 1,099,382	$ 2,366,996
Drilling	357,079	-	-	-	357,079
Travel	2,190	-	-	-	2,190
Telecommunications	3,000	-	-	-	3,000
Field and camp costs	243,958	-	-	-	243,958
Fuel	85,867	-	-	-	85,867
Consulting	289,627	-	-	-	289,627
Frieght	31,501	-	-	-	31,501
Assays and lab process	35,045	-	-	-	35,045
Equipment rental	185,191	-	-	-	185,191
Others	1,400	-	-	30,892	32,292
Aircraft – fixed wing	325,692	-	-	-	325,692
Helicopter	209,948	-	-	-	209,948
Total exploration expenses	$ 2,397,754	$ 640,358	-	$ 1,130,274	$ 4,168,386
Property Acquisitions:					
Balance December 31, 2020	$ 246,460	-	-	$ 2,023,403	$ 2,269,863
Additions	6,438	-	-	-	6,438
Total property acquisitions	$ 252,898	$ -	$ -	$ 2,023,403	$ 2,276,301
Balance June 30, 2021	**$ 2,650,652**	**$ 640,358**	$ -	**$ 3,153,677**	**$ 6,444,687**

	Diagras	**Cap**	**Stein**	**Timantti**	**Total**
Exploration Expenditures:					
Balance, December 31, 2019	$ 620,491	$ 640,358	$ 234,578	$ 1,061,699	$ 2,557,126
Consulting	2,800	-	-	-	2,800
Concession fees	3,965	-	-	37,683	41,648
Balance, December 31, 2020	627,256	640,358	234,578	1,099,382	2,601,574
Acquisition costs:					
Balance, December 31, 2019 and 2020	246,460	-	33,970	2,023,403	2,303,833
Write-off of exploration and evaluation asset	**-**	**-**	(268,548)	**-**	(268,548)
Balance, December 31, 2020	**$ 873,716**	**$ 640,358**	**$ -**	**$ 3,122,785**	**$ 4,636,859**

8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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 resource properties. The Company has investigated title to all of its resource properties and to the best of its knowledge, title to all of its properties are in good standing.

(a) Diagras JV (formerly T-Rex property), Lac De Gras Northwest Territories

During the year ended December 31, 2014, the Company incurred $246,460 in acquisition costs to earn a 100% in certain staked claims located on the Lac de Gras kimberlite field in the Northwest Territories (“NWT”).

In November 2016, the Company and Margaret Lake Diamonds Inc. (“Margaret Lake”) entered into an option and joint venture agreement (the “JV Agreement”). Margaret Lake Diamonds earned a 60% interest in certain claims covering all the known kimberlites by making a bond payment of $186,990 to the Government of the Northwest Territories in lieu of required exploration expenditures and a non-refundable filing fee of $4,675 to obtain extension of the mineral claims such that they are maintained in good standing. The Company and Margaret Lake formed a joint venture to further explore and evaluate the T-Rex Property renaming the project the Diagras JV. No separate entity was formed under the JV Agreement. The Company and Margaret Lake will contribute to exploration and development costs in proportion to their interests (40% and 60% respectively) with Margaret Lake acting as operator.

During the year ended December 31, 2020, the Company advanced $nil (2019 - $41,734) to Margaret Lake for exploration work and recovered a grant for $nil (2019 - $61,097).

During the period ended March 31, 2021, the Company took over of the management of the Diagras Property. The project is a joint venture with Margaret Lake Diamonds (“Margaret”), where Margaret controls 60%, and the Company owns 40%. Under the new arrangement, the Company will propose yearly exploration budgets, and Margaret can elect to participate or not. If Margaret does not participate, their interest will dilute using the standard industry formula. Margaret Lake has indicated they will not be making any further contributions in the exploration budget.

(b) Stein property, Nunavut

During the year ended December 31, 2015 the Company acquired the Stein Diamond Property located in Nunavut, Canada. The 100 % owned property consists of 4 contiguous prospecting permits on the Boothia Peninsula.

In August 2018, the Company and GGL Resource Corp. (“GGL”) entered into a property option agreement. In order to exercise the option, GGL will be required to: a) discover kimberlite or related rocks on the property as a result of drilling, trenching or discovery in outcrop thereon; b) convert a key portion of the prospecting permits comprising the property to mineral claims prior to February 1, 2020; and c) conduct ground magnetic surveys over priority airborne anomalies in conjunction with conversion of the prospecting permits comprising the property to mineral claims. The Company and GGL will enter into a joint venture agreement upon the exercise of the option. As at December 31, 2020, the parties had not yet entered into a joint venture agreement as GGL has not exercised its option.

During the year ended December 31, 2020, the Company recorded an impairment charge of $268,548 (2019 - $nil) to write-off the Stein property balance as the Company does not have any budgeted exploration programs planned for the property.

8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(c) Cap & Seebach, British Columbia

The Company owns a 100% interest in the Cap & Seebach properties located in British Columbia. The original property vendors 877384 and Zimtu Capital Corp. ("Zimtu") will retain a 2% net smelter returns royalty on the properties.

(d) Timantti – Finland

During the year ended December 31, 2017, the Company acquired a 100% interest in an exploration permit over the Black Wolf (*Masta Susi*) and the White Wolf (*Valkoinen Susi*) diamond bearing kimberlites (together the "Wolf kimberlites") in northern Finland, through the purchase of Finland company Foriet Oy. The combined regional exploration and diamondiferous kimberlite property has been named the Timantti Project.

During the year ended December 31, 2017, the Company issued 10,000,000 common shares with a fair value of $1,400,000 for all the right, title and interest to Foriet Oy, a Finnish company that has the exploration permit over the Wolf kimberlites in North-Eastern Finland and an additional 4,500,000 common shares with a fair value of $623,404 were issued to the beneficial owners of a joint venture partner of Foriet Oy for 100% of their joint venture rights.

As at December 31, 2020, the Company has posted €10,000 ($15,607) (2019 - €10,000 ($14,583)) in exploration collateral on the property pursuant to the provisions of the Finnish Mining Act.

Management reviews the carrying values of its mining claims on at least an annual basis, or when an impairment event occurs, to determine whether impairment should be recognized. During the year ended December 31, 2020, Management wrote-off a total of $268,548 (2019 - $nil) in exploration and acquisition costs. The Company has not recorded a provision for environmental rehabilitation as at December 31, 2020 for any of the above properties as the Company has not yet disturbed the land at the above properties to trigger the recognition of this liability.

9. SHARE CAPITAL

(a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

(b) Issued and outstanding:

During the period ended June 30, 2021 the Company entered into the following transactions:

(i) During the period ended June 30, 2021, the Company issued 5,414,000 common shares for the exercise of warrants with a gross proceeds of $530,500.

(ii) On March 31, 2021, the Company closed a private placement of 40,000,000 units at a price of $0.05 per unit for gross proceed of $2,000,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.10 for a period of two years from the date of closing. In connection with the financing, the Company paid finders fees of $58,100 and legal fees of $3,710. The Company also issued 1,162,000 broker's warrants for fair value of $56,772.

(iii) During the period ended June 30, 2021, the Company issued 1,300,000 common shares for the exercise of stock options with a gross proceeds of $121,000.

(expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

(iv) On June 2, 2021, the Company closed a flow-through private placement of 8,000,000 units at a price of $0.10 per unit for gross proceed of $800,000. Each unit consists of one common share and one half common share purchase warrant. Each warrant is exercisable at a price of $0.20 for a period of two years from the date of closing. In connection with the financing, the Company paid finders fees of $35,700 and legal fees of $2,457.

(v) On May 14, 2021, the Company issued 615,697 common shares to Agora Internet Services for investor relations services. On the date of issuance, the common shares had a fair value of $40,680.

During the year ended December 31, 2020 the Company entered into the following transactions:

(i) On January 24, 2020, the Company closed a private placement of 17,368,000 units at a price of $0.05 per unit for gross proceed of $868,400, of which $407,276 was received in the prior year. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.15 for a period of two years from the date of closing. In connection with the financing, the Company paid legal fees of $7,451. There was $nil in residual value assigned to the warrants.

(ii) On February 3, 2020, the Company closed a private placement of 400,000 units at a price of $0.05 per unit for gross proceeds of $20,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.15 for a period of two years from the date of closing. There was $nil in residual value assigned to the warrants.

(iii) On August 31, 2020, the Company closed a private placement of 17,960,000 units at a price of $0.025 per unit for gross proceeds of $449,000. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable at a price of $0.05 for a period of two years from the date of closing. In connection with the financing, the Company paid legal fees of $1,800. There was $nil in residual value assigned to the warrants.

(iv) On November 4, 2020, the Company issued 271,200 common shares to Agora Internet Services for investor relations services. On the date of issuance, the common shares had a fair value of $10,848.

(v) During the year ended December 31, 2020, the Company issued 1,000,000 common shares for the exercise of stock options with a weighted average exercise price of $0.07 per option for total proceeds of $70,000. On the exercise of the stock options, the Company reclassified $58,739 from reserves to share capital.

(c) Share purchase warrants:

(i) As at June 30, 2021, the Company had warrants outstanding enabling holders to acquire the following:

Number of warrants	Exercise Price	Expiry Date
15,170,000	$0.15	January 24, 2022
15,144,000	$0.05	August 31, 2022
40,000,000	$0.10	March 31, 2023
1,162,000	$0.10	March 31, 2023
4,000,000	$0.20	June 4, 2023
75,476,000		

(expressed in Canadian dollars)

9. SHARE CAPITAL (CONTINUED)

(c) Share purchase warrants (continued)

A summary of the Company's issued and outstanding share purchase warrants as at June 30, 2021 and December 31, 2020 and changes during those years are presented below:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2019	5,376,547	$0.72	1.22 years
Issued	35,728,000	$0.10	
Expired/Cancelled	(1,822,947)	$1.34	
Balance, December 31, 2020	39,281,600	$0.13	1.26 years
Issued	45,162,000	$0.11	
Exercised	(5,414,000)	$0.10	
Expired	(3,553,600)	$0.40	
Balance, June 30, 2021	**75,476,000**	**$0.11**	**1.65 years**

(d) Stock options

(i) As at June 30, 2021, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
440,750	$0.43	December 30, 2021
60,000	$0.45	January 6, 2022
580,000	$0.40	March 25, 2024
84,000	$0.45	April 25, 2024
749,000	$0.08	February 7, 2025
2,510,000	$0.07	February 9, 2026
900,000	$0.07	March 10, 2026
3,500,000	$0.12	April 26, 2026
2,900,000	$0.18	June 10, 2026
11,723,750		

(ii) A summary of the status of the Company's stock options as at June 30, 2021 and December 31, 2020 and changes during those years is presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2019	2,256,750	$0.65	2.94 years
Granted	2,249,000	$0.08	
Exercised	(1,000,000)	$0.07	
Expired/Cancelled	(1,062,000)	$0.89	
Balance, December 31, 2020	2,443,750	$0.25	3.19 years
Granted	10,660,000	$0.12	
Expired/Cancelled	(80,000)	$0.42	
Exercise	(1,300,000)	$0.09	
Balance, June 30, 2021	**11,723,750**	**$0.15**	**4.42 years**

(expressed in Canadian dollars)

10. STOCK-BASED COMPENSATION AND RESERVES

The Company has a stock option plan (the "Plan") for directors, senior officers, employees, consultants, and management. The Plan provides for the granting of stock options up to a maximum of 10% of the issued and outstanding common shares of the Company at the date of grant. The Plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Company in any 12-month period. The number of incentive stock options granted to any one consultant or a person employed to provide investor relations activities in any 12-month period must not exceed 2% of the total issued shares of the Company. Options are granted for a term not exceeding five years. Options granted to directors, senior officers, employees, and consultants vest fully on the grant date. Options granted to consultants performing investor relations activities vest over a period of twelve months with no more than one-quarter of the options vesting in any three month period.

During the period ended June 30, 2021, the Company has recognized $981,030 (2020 – $146,330) in compensation upon issuance of 10,660,000 (2020 – 2,249,000) stock options. These options vested 100% on the grant date. The fair values of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions.

	June 30, 2021	June 30, 2020
Risk-free interest rate	0.50%-0.86%	0.90%-1.35%
Life of options(years)	5	5
Annualized volatility	0.86% - 116%	133% - 136%
Dividend rate	-	-

11. RELATED PARTY TRANSACTIONS

Key Management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the period ended June 30, 2021, 2,060,000 stock options (2020 – 294,000) were granted to directors and officers.

The aggregate values of transactions relating to key management personnel were as follows:

	June 30, 2021	June 30, 2020
Consulting fees	**$ 90,000**	$ 121,850
Accounting fees	**43,000**	51,000
Exploration consulting	**27,000**	-
Advertising and promotional	**75,000**	-
Administration fees	**75,000**	-
Stock-based compensation	**406,531**	56,253
Rent recovery	**-**	(8,492)
Rent	**12,898**	-

11. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) During the period ended June 30, 2021, the Company incurred consulting fees of $90,000 (2020 - $121,850) with directors and companies owned by directors.

(b) During the period ended June 30, 2021, the Company incurred accounting fees of $43,000 (2020 - $51,000) with an officer of the Company.

(c) During the period ended June 30, 2021, the Company incurred administration fees of $75,000 (2020 - $nil) with a Company related by common director.

(d) During the period ended June 30, 2021, the Company incurred advertising and promotional fees of $75,000 (2020 - $nil) with a Company related by common director.

(e) During the period ended June 30, 2021, the Company sold 1,4000,000 shares of Eaglebay Resources Corp for the gross receipt of $35,000 to a Company related by common director.

(f) During the period ended June 30, 2021, the Company paid rent of $12,898 (2020 - $nil) pertains to rent paid to companies related by a common officer for shared office premises.

(g) As at June 30, 2021, an exploration expenses include consulting fee of $27,000 (2020 - $nil) paid to a Company related to a director.

(h) As at June 30, 2021, $363,172 (December 31, 2020- $435,683) was owing to companies controlled by directors and officers of the Company. The amounts due from or to the related parties are unsecured and without interest or stated terms of repayment.

(i) As at June 30, 2021, $137,500 (2020 - $12,252) was included in prepaid expenses to a Company related to a common director.

(j) As at June 30, 2021, accounts receivable and advances included $24,826 (December 31, 2020: $nil) due from CEO and director of the company.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the period ended June 30, 2021 were $nil.

Non-cash investing and financing activities for the year ended December 31, 2020 include:

(a) Reclassification of $58,739 between reserves and share capital for the exercise of stock options; and

(b) Reclassification of $407,276 in subscriptions received in advance in the prior year to share capital.

(expressed in Canadian dollars)

13. SEGMENTED INFORMATION

The Company operates in one reportable operating segment - mineral exploration. As at June 30, 2021 and December 31, 2020, the Company's resource properties are located in Canada and Finland.

The Company's non-current assets by geographic area are as follows:

		June 30, 2021		December 31, 2020
Canada	**$**	**3,294,349**	$	1,518,000
Finland		**3,169,286**		3,138,776
	$	**6,463,635**	$	4,656,776

The Company's loss by geographic area are as follows:

		June 30, 2021		June 30 2020
Canada	**$**	**1,779,778**	$	596,943
Finland		**30,131**		31,725
	$	**1,809,909**	$	628,668

14. SUBSEQUENT EVENTS

The Company signed an agreement with Zimtu Capital Corp.("Zimtu") whereby Zimtu shall provide Arctic Star services under the ZimtuADVANTAGE program.

ZimtuADVANTAGE is a program designed to provide opportunities, guidance, cost savings and assistance to clients covering multiple aspects of being a public company. The services may include building financial networks, building business networks, shared costs with other public companies, building a social media presence, conference opportunities, media outlets and guidance and special group pricing provided by Zimtu's network of public company professionals. The program, which has been revised to enhance its digital communications and marketing opportunities, provides the flexibility to allow companies to customize the products and services to best support their needs. The contract is considered to include investor relations services under TSXV policy 3.4.

Under the terms of the agreement, the Company will pay Zimtu $12,500 per month for a period of twelve months.

The agreement is subject to approval by TSX.