

ARCTIC STAR EXPLORATION CORP.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

AND

AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2021 AND 2020

(Expressed in Canadian dollars)

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A CHAN AND COMPANY LLP
CHARTERED PROFESSIONAL ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of:
Arctic Star Explorations Corp.

Opinion

We have audited the consolidated financial statements of Arctic Star Explorations Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity for the year ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flow for the year ended December 31, 2021 in accordance with International Financial Reporting Standards (IFRSs).

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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net comprehensive loss of \$1,980,068 during the year ended December 31, 2021 and, as of that date, the Company had not yet achieved profitable operations, had accumulated losses of \$60,311,397 since its inception, and expects to incur further losses in the development of its business. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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 Matter

The consolidated financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2021.

Other Information

Management is responsible for the other information. The other information comprises the Management 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. 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 IFRSs, 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 group 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 practitioner on the audit resulting in this independent auditor's report is Anthony Chan, CPA, CA.

"A Chan & Company LLP"
Chartered Professional Accountant

Unit# 114B (2nd floor) – 8988 Fraserton Court
Burnaby, BC, Canada V5J 5H8

April 25, 2022

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

	December 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	\$ 242,792	\$ 30,454
Accounts receivable (Notes 6 and 11)	523,783	9,259
Due from related parties (Note 11)	211,263	-
Prepaid expenses	6,386	21,040
	<u>984,224</u>	60,753
Investment (Note 5)	637,500	-
Equipment (Note 7)	986	4,310
Reclamation bond (Note 8)	14,391	15,607
Exploration and evaluation assets (Note 8)	6,474,984	4,636,859
	<u>\$ 8,112,085</u>	<u>\$ 4,717,529</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 11 and 14)	\$ 691,860	\$ 219,697
Due to related parties (Note 11)	436,659	435,683
	<u>1,128,519</u>	655,380
Shareholders' equity		
Share capital (Note 9)	59,713,258	55,619,334
Reserves (Note 10)	7,581,705	6,554,664
Deficit	(60,311,397)	(58,331,329)
Equity attributable to shareholders	6,983,566	3,842,669
Non-controlling interest (Note 5)	-	219,480
	<u>6,983,566</u>	4,062,149
	<u>\$ 8,112,085</u>	<u>\$ 4,717,529</u>

Nature and continuance of operations (Note 1)

Segmented information (Note 13)

Subsequent events (Note 16)

These consolidated financial statements were approved by the Board of Directors on April 25, 2022.

"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.
Consolidated Statements of Loss and Comprehensive Loss
(expressed in Canadian Dollars)

For the years ended December 31	2021	2020
Expenses		
Accounting and audit (Note 11)	\$ 129,600	\$ 127,178
Advertisement and promotional	129,500	10,848
Bank charges	2,605	2,179
Consulting fees (Note 11)	607,355	677,643
Depreciation (Note 7)	807	1,467
Filing fees	39,612	23,870
Foreign exchange	3,043	754
Investor relation	108,738	-
Legal	48,730	30,911
Office and administration	46,763	43,620
Rent (Note 11)	25,803	21,585
Shareholders' information	29,260	1,913
Stock-based compensation (Note 10 and 11)	981,030	146,330
Trade shows	19,447	720
Transfer agent fees	24,929	12,080
Travel	115,733	32,433
Operating loss	(2,312,955)	(1,133,531)
Loss on disposal of investment in a subsidiary (Note 5)	(107,678)	-
Gain on de-consolidation of a subsidiary (Note 5)	178,211	-
Adjustment to carrying value of investment in an associate (Note 5)	(107,678)	-
Gain on deemed disposal of investment in an associate (Note 5)	44,651	-
Share of loss from investment in an associate (Note 5)	(52,184)	-
Gain on fair value adjustment of a portfolio investment (Note 5)	432,533	-
Write-off of exploration and evaluation assets (Note 8)	-	(268,548)
Recovery of rent	-	8,491
Loss and Comprehensive loss for the year – continued operations	\$ (1,925,100)	\$ (1,393,588)
Loss and Comprehensive loss for the year – discontinued operations	\$ (54,968)	\$ (31,510)
Loss and Comprehensive for the year	\$ (1,980,068)	\$ (1,425,098)
Loss per common share – basic and diluted	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	103,135,869	49,410,216

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

Arctic Star Exploration Corp.
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	57,479,286	3,347,813	-	-	-	3,347,813	-	3,347,813
Warrants exercised	5,614,000	540,500	-	-	-	540,500	-	540,500
Options Exercised	1,300,000	121,000	-	-	-	121,000	-	121,000
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
De-consolidation of a subsidiary	-	-	-	89,942	-	89,942	(219,480)	(129,538)
Loss for the year	-	-	-	-	(1,980,068)	(1,980,068)	-	(1,980,068)
Balance December 31, 2021	127,971,037	\$ 59,713,258	\$ -	\$ 7,581,705	\$ (60,311,397)	\$ 6,983,566	\$ -	\$ 6,983,566

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

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

For the years ended December 31	2021	2020
Cash flows from (used in)		
Operating activities		
Loss for the year	\$ (1,980,068)	\$ (1,425,098)
Items not affecting cash:		
Loss from discontinued operations	54,968	31,510
Depreciation	807	1,467
Foreign exchange on reclamation bond	1,217	(1,024)
Shares issued for services	40,680	10,848
Stock-based compensation	981,030	146,330
Write-off of exploration and evaluation assets	-	268,548
Loss on disposal of investment in a subsidiary	107,678	-
Gain on de-consolidation of a subsidiary	(178,211)	-
Adjustment to carrying value of investment in an associate	107,678	-
Gain on deemed disposal of investment in an associate	(44,651)	-
Share of loss from investment in an associate	52,184	-
Gain on fair value adjustment of a portfolio investment	(432,533)	-
	(1,289,221)	(967,419)
Changes in non-cash working capital items:		
Accounts receivable	(182,005)	13,515
Due to related parties	976	-
Prepaid expenses	2,402	118,355
Accounts payable and accrued liabilities	499,279	(141,705)
Cash used in operating activities from continued operations	(968,569)	(977,254)
Cash used in operating activities from discontinued operations	(13,039)	(29,452)
Cash used in operating activities	(981,608)	(1,006,706)
Investing activities		
Disposal of investment in an associate	35,000	-
Exploration expenditures to be reimbursed by a joint-venture partner	(160,622)	-
Exploration and evaluation asset expenditures	(2,478,481)	(44,448)
Cash used in investing activities from continued operations	(2,604,103)	(44,448)
Cash used in investing activities from discontinued operations	-	-
Cash used in investing activities	(2,604,103)	(44,448)
Financing activities		
Proceeds from issuance of shares	3,463,550	930,124
Shares issue costs	(115,738)	(9,251)
Proceeds from options exercised	121,000	70,000
Proceeds from warrants exercised	540,500	-
Due from related parties	(211,263)	73,834
Cash provided by financing activities from continued operations	3,798,049	1,064,707
Cash provided by financing activities from discontinued operations	-	-
Cash provided by financing activities	3,798,049	1,064,707
Change in cash during the year	212,338	13,553
Cash, beginning of the year	30,454	16,901
Cash, end of the year	\$ 242,792	\$ 30,454

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 December 31, 2021, the Company had a working capital deficit of \$144,295 (December 31, 2020 – \$594,627), had not yet achieved profitable operations, has a deficit of \$60,311,397 (December 31, 2020 - \$58,331,329) since its inception. During the year ended December 31, 2021, the Company recorded a loss of \$1,980,068 (December 31, 2020 - \$1,425,098) 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 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

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. The Company has de-consolidated its investment held in Eagle Bay Exploration Corp. ("Eagle Bay") during the year ended December 31, 2021 and owns 17.57% of Eagle Bay (December 31, 2020 – 70.5%) as at December 31, 2021. 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 consolidated statements 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 consolidated statements of financial position, and evaluates these amounts at least annually for indicators of impairment;
- 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; and

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 consolidated statements of financial position and the related amortization included in the consolidated statements 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 consolidated statements 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 December 31, 2021, \$242,792 (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 statements 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 consolidated statements 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.

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%
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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 year ended December 31, 2021, there were 84,755,286 warrants (December 31, 2020 – 39,281,600) and 11,283,000 stock options (December 31, 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.

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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
Due from related parties	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 consolidated 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 consolidated 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 consolidated statements of loss and comprehensive 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 consolidated 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 consolidated statements 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 December 31, 2021 and 2020, the Company's financial instruments consist of cash, accounts receivable, due from related parties, 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.

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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
December 31, 2021				
Cash	\$ 242,792	\$ -	\$ -	\$ 242,792
	\$ 242,792	\$ -	\$ -	\$ 242,792
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 December 31, 2021 and 2020, the Company believes that the carrying values of accounts receivable, due from related parties, 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 \$242,792 (December 31, 2020 – \$30,454). Collectability for accounts receivable and due from related parties are 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 fund 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.

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 year ended December 31, 2021, the Company sold 8,500,000 common shares of Eagle Bay at \$0.025 to Zimtu Capital Corp for total cash proceeds of \$35,000 and a receivable of \$177,500, to be collected from Zimtu once Eagle Bay has become a publicly traded company. As a result of the disposal, the Company recognized a loss on disposal of a subsidiary in the amount of \$107,678. Upon the disposal of these Eagle Bay shares, the Company no longer has control over this subsidiary and has de-consolidated Eagle Bay's assets and liabilities from its consolidated financial statements and recognized a gain on de-consolidation of \$178,211. Subsequent to the de-consolidation, the Company is still considered to have significant influence over Eagle Bay and has accounted for it as an investment in an associate and has been applying the equity method to account for this investment. Meanwhile, Eagle Bay has completed two equity financings subsequent to the de-consolidation during the year ended December 31, 2021 and the Company has recognized two gains on deemed disposal of its investment in an associate in the total amount of \$44,651. The Company also recorded its share of loss of \$52,184 from Eagle Bay during the year ended December 31, 2021. At the last equity financing completed by Eagle Bay during the year ended December 31, 2021, the Company has lost its significant influence over Eagle Bay and has recognized the investment in Eagle Bay as an investment in a portfolio company. The Company recognized a fair value adjustment of gain of \$432,533 to its investment portfolio as at December 31, 2021 based on the latest financing closed and completed by Eagle Bay at \$0.075 per share.

6. ACCOUNTS RECEIVABLE

	December 31, 2021	December 31, 2020
GST receivable	\$ 178,561	\$ 7,578
Other receivable (Note 11)	345,222	1,681
	\$ 523,783	\$ 9,259

7. EQUIPMENT

Cost	Computer equipment
Balance at December 31, 2019	\$ 16,982
Additions	-
Balance at December 31, 2020	16,982
Additions	-
Deconsolidation of Eagle Bay equipment	(6,202)
Balance December 31, 2021	\$ 10,780

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7. EQUIPMENT (CONTINUED)

Accumulated depreciation		Computer equipment
Balance at December 31, 2019	\$	9,147
Depreciation		3,525
Balance at December 31, 2020		12,672
Depreciation		807
Deconsolidation of Eagle Bay equipment		(3,685)
Balance December 31, 2021	\$	9,794

Net carrying amounts		Total
At December 31, 2020	\$	4,310
At December 31, 2021	\$	986

8. EXPLORATION AND EVALUATION ASSETS

	Diagras \$	Cap \$	Stein \$	Timantti \$	Total \$
Exploration Expenditure					
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	8,492	-	-	-	8,492
Field and camp costs	290,734	-	-	-	290,734
Fuel	141,068	-	-	-	141,068
Consulting	401,253	-	-	5,100	406,353
Freight	34,296	-	-	-	34,296
Assays and lab process	228,770	-	-	-	228,770
Equipment rental	185,191	-	-	-	185,191
Others	1,791	-	-	33,189	34,980
Aircraft – fixed wing	405,465	-	-	-	405,465
Survey	268,147	-	-	-	268,147
Helicopter	262,281	-	-	-	268,281
Government grant	(153,000)	-	-	-	(153,000)
De-consolidated	-	(640,358)	-	-	(640,358)
Total exploration expenses	3,061,013	-	-	1,137,671	4,198,684
Property Acquisitions:					
Balance December 31, 2020	246,460	-	-	2,023,403	2,269,863
Additions	6,438	185,331	-	-	191,769
De-consolidated	-	(185,331)	-	-	(185,331)
Total property acquisitions	252,898	-	-	2,023,403	2,276,301
Balance December 31, 2021	3,313,911	-	-	3,161,074	6,474,985

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8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

	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

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 year ended December 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.

As at December 31, 2021, the Company has 81.5% ownership in the Diagras Joint Venture and Margaret still owed to the Company in the amount of \$160,262 from the JV Agreement in order for Margaret to maintain its 18.5% interest in the joint-venture, which amount was paid by Margaret to the Company subsequent to the year end.

8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

(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.

(c) Cap & Seebach, British Columbia

The Company originally owned a 100% interest in the Cap & Seebach properties located in British Columbia. These properties had been vended into Eagle Bay in 2019 in exchange for 70.5% ownership of Eagle Bay. The original property vendors 877384 and Zimtu Capital Corp. (“Zimtu”) will retain a 2% net smelter returns royalty on the properties. As at December 31, 2021, the Company has de-consolidated all accounts of Eagle Bay and no longer has ownership of these properties on its consolidated financial statements.

(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.

Impairment of its mineral properties

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, 2021, Management wrote-off a total of \$Nil (2020 - \$268,548) in exploration and acquisition costs. The Company has not recorded a provision for environmental rehabilitation as at December 31, 2021 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 year ended December 31, 2021 the Company entered into the following transactions:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) On December 23, 2021, the Company closed a private placement of 9,479,286 units at a price of \$0.07 per unit for gross proceed of \$663,550. 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 \$3,675 and legal fees of \$12,095.
- (v) Issued 1,300,000 common shares pursuant to exercise of stock options for gross proceeds of \$121,000. On the exercise of the stock options, the Company reclassified \$100,703 from reserves to share capital.
- (vi) Issued 5,614,000 common shares pursuant to exercise of warrants for gross proceeds of \$540,500.

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.

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9. SHARE CAPITAL (CONTINUED)

(c) Share purchase warrants:

(i) As at December 31, 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
14,944,000	\$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
9,479,286	\$0.10	December 23, 2023
84,755,286		

A summary of the Company's issued and outstanding share purchase warrants as at December 31, 2021 and 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	54,641,286	\$0.11	
Exercised	(5,614,000)	\$0.10	
Expired	(3,553,600)	\$0.40	
Balance, December 31, 2021	84,755,286	\$0.10	1.45 years

(d) Stock options

(i) As at December 31, 2021, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
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
11,283,000		

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9. SHARE CAPITAL (CONTINUED)

(d) Stock options (continued)

(ii) A summary of the status of the Company's stock options as at December 31, 2021 and 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	(520,750)	\$0.42	
Exercise	(1,300,000)	\$0.09	
Balance, December 31, 2021	11,283,000	\$0.14	4.07 years

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 year ended December 31, 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.

	December 31, 2021	December 31, 2020
Risk-free interest rate	0.50%-0.94%	0.90%-1.35%
Life of options(years)	5	5
Annualized volatility	114% - 118%	133% - 136%
Dividend rate	-	-

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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 year ended December 31, 2021, 4,660,000 stock options (2020 – 294,000) were granted to directors and officers.

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

	December 31, 2021	December 31, 2020
Consulting fees	\$ 185,950	\$ 391,575
Accounting fees	84,000	93,000
Exploration consulting	78,900	-
Stock-based compensation	406,531	17,462
Rent recovery	-	(8,491)
Rent	25,803	18,190

- (a) During the year ended December 31, 2021, the Company incurred consulting fees of \$185,950 (2020 - \$391,575) with directors and companies owned by directors.
- (b) During the year ended December 31, 2021, the Company incurred accounting fees of \$84,000 (2020 - \$93,000) with an officer of the Company.
- (c) During the year ended December 31, 2021, the Company sold 8,500,000 shares of Eagle Bay Resources Corp for the gross receipt of \$35,000 and a receivable of \$177,500 to a Company related by common director.
- (d) During the year ended December 31, 2021, the Company paid rent of \$25,803 (2020 - \$18,190) pertains to rent paid to companies related by a common officer for shared office premises.
- (e) As at December 31, 2021, an exploration expenses include consulting fee of \$78,900 (2020 - \$Nil) paid to a Company related to a director.
- (f) As at December 31, 2021, \$436,659 (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.
- (g) As at December 31, 2021, \$211,263 (2020 - \$nil) was due from related parties.
- (h) As December 31, 2021, accounts receivable includes \$177,500 (December 31, 2020 - \$nil) from a company related by a common director.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Non-cash investing and financing activities for the period ended December 31 2021 include:

- (a) Reclassification of \$100,703 between reserves and share capital for the exercise of stock options; and
- (b) Fair value of broker warrants reallocated from share capital to reserve.

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.

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13. SEGMENTED INFORMATION

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

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

		2021		2020
Canada	\$	3,957,497	\$	1,518,000
Finland		3,170,364		3,138,776
	\$	7,127,861	\$	4,656,776

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

		2021		2020
Canada	\$	1,989,528	\$	1,370,202
Finland		45,508		54,896
	\$	1,980,068	\$	1,425,098

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2021		December 31, 2020
Trades payable	\$	387,450	\$	106,428
Accrued liabilities		224,141		33,000
Taxes payable		80,269		80,269
	\$	691,860	\$	219,697

15. INCOME TAXES

A reconciliation of income taxes at the statutory rate with the reported taxes as at December 31, 2021 and 2020 is as follows:

	2021	2020
Loss for the year	\$ (1,980,068)	\$ (1,425,098)
Expected income tax recovery at statutory rate	(531,000)	(381,000)
Permanent differences	218,000	46,000
Flow-through shares impact	216,000	-
Change in statutory tax, foreign exchange rates and other	58,000	(2,000)
Share issuance costs	(2,000)	(2,000)
Adjustment to prior years provision versus statutory tax returns	-	(3,000)
Change in unrecognized deductible temporary differences	41,000	342,000
	\$ -	\$ -

The statutory tax rates were 27% (2020 – 27%) in Canada and 20% (2020 – 20%) in Finland.

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15. INCOME TAXES (CONTINUED)

The significant components of the company's deferred tax assets are as follows:

	2021	2020
<u>Deferred tax assets</u>		
Non-capital losses available for future periods	\$ 5,802,000	\$ 5,464,000
Exploration and evaluation assets	2,157,000	2,482,000
Equipment	67,000	67,000
Share issuance costs and other	21,000	8,000
Capital losses	138,000	123,000
	<u>8,185,000</u>	<u>8,144,000</u>
Unrecognized deferred tax assets	(8,185,000)	8,144,000
Net deferred tax assets	\$ -	\$ -

Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

	2021	2020
<u>Temporary differences</u>		
Exploration and evaluation assets	7,990,000	9,191,000
Share issuance costs and other	79,000	29,000
Allowable capital losses	510,000	456,000
Equipment	246,000	249,000
Non-capital losses available for future periods	21,897,000	20,636,000
Canada	20,314,000	19,099,000
Finland	1,583,000	1,537,000

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

16. SUBSEQUENT EVENTS

- (a) The Company announces it has granted 200,000 stock options of the Company to a consultant. Each option entitles the consultant to purchase one common share of the Company at a price of \$0.10 per common share within one year. One quarter of the options will vest every three months following the date of grant until the first anniversary of the date of grant.
- (b) The Company issued 3,350,000 common shares as result of 3,350,000 warrants exercised at \$0.05 per share for gross proceeds of \$167,500.
- (c) In March 2022, the Company closed the first tranche of the Company's non-brokered private placement of 8,186,430 non-flow through units of the Company at \$0.07 per non-flow through unit, and 3,700,000 flow through units at \$0.08 per flow through unit, for a total gross proceeds of \$869,050. Each non-flow through unit consists of one common share and one share purchase warrant at an exercise price of \$0.10 per common share within one year. Each flow through unit consists of one common share and one half of a share purchase warrant, with each warrant exercisable at a price of \$0.15 per common share within one year. The Company paid a cash finders' fees of \$27,042 and issued an aggregate 363,279 non-transferrable share purchase warrants to finders. Finders' warrants are exercisable to purchase 202,029 shares at \$0.10 per share and 161,250 shares at \$0.15 per share, all exercisable within one year.
- (d) In April 2022, the Company closed the second tranche of the Company's non-brokered private placement of 12,671,857 non-flow through units of the Company at \$0.07 per non-flow through unit, and 3,025,000 flow through units at \$0.08 per flow through unit, for a total gross proceeds of \$1,129,030. Each non-flow through unit consists of one common share and one share purchase warrant at an exercise price of \$0.10 per common share within one year. Each flow through unit consists of one common share and one half of a share purchase warrant, with each warrant exercisable at a price of \$0.15 per common share within one year. The Company paid a cash finders' fees of \$15,360 and issued an aggregate 198,000 non-transferrable share purchase warrants to finders. Finders' warrants are exercisable to purchase 48,000 shares at \$0.10 per share and 150,000 shares at \$0.15 per share, all exercisable within one year.