
STONE GOLD INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Stone Gold Inc.

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. 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 financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2021 and, as of that date, the Company had limited working capital and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner of the audit resulting in this independent auditor's report is Soheil Talebi.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 28, 2022

Stone Gold Inc.**Statements of Financial Position**
(Expressed in Canadian dollars)

As at December 31,	2021	2020
ASSETS		
Current assets		
Cash	\$ 1,660,910	\$ 1,075,884
Amounts receivable and other assets (note 6)	129,708	20,958
Total assets	\$ 1,790,618	\$ 1,096,842
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Amounts payable and other liabilities (notes 7 and 15)	\$ 97,371	\$ 42,166
Flow-through share liability (note 8)	260,019	149,293
Total liabilities	357,390	191,459
Shareholders' equity		
Share capital (note 9)	26,428,690	25,517,237
Reserves (notes 10 and 11)	829,940	531,450
Accumulated deficit	(25,825,402)	(25,143,304)
Total shareholders' equity	1,433,228	905,383
Total liabilities and shareholders' equity	\$ 1,790,618	\$ 1,096,842

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

Nature of operations and going concern (note 1)

Commitments (notes 13 and 18)

Subsequent events (note 19)

Approved on behalf of the Board:

"Birks Bovaird", Director _____

"Eric Szustak", Director _____

Stone Gold Inc.**Statements of Loss and Comprehensive Loss**
(Expressed in Canadian dollars)

	Year Ended December 31,	
	2021	2020
Operating expenses		
Exploration and evaluation expenditures (note 13)	\$ 465,371	\$ 151,524
General and administrative (note 14)	332,320	357,152
Operating loss before the following items	(797,691)	(508,676)
Premium recovery on flow-through shares (note 8)	93,093	27,614
Unrealized gain on marketable securities	-	35,000
Realized loss on marketable securities	-	(32,750)
Net loss and comprehensive loss for the year	\$ (704,598)	\$ (478,812)
Basic and diluted net loss per share (note 12)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding (note 12)	28,636,591	16,623,719

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

Stone Gold Inc.
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital	Reserves	Accumulated deficit	Total
Balance, December 31, 2020	\$ 25,517,237	\$ 531,450	\$(25,143,304)	\$ 905,383
Shares issued through private placements (note 9(b)(ix)(x)(xi))	1,305,200	-	-	1,305,200
Warrants (note 9(b)(ix)(x)(xi))	(353,995)	353,995	-	-
Flow-through share premium (note 8(iv))	(203,819)	-	-	(203,819)
Share issue costs	(129,628)	-	-	(129,628)
Shares issued for acquisition of mining property (note 9(b)(i))	98,500	-	-	98,500
Warrants exercised (note 9(b)(viii))	195,195	(42,695)	-	152,500
Warrants expired	-	(22,500)	22,500	-
Share-based compensation (note 11)	-	9,690	-	9,690
Net loss for the year	-	-	(704,598)	(704,598)
Balance, December 31, 2021	\$ 26,428,690	\$ 829,940	\$(25,825,402)	\$ 1,433,228
Balance, December 31, 2019	\$ 24,576,144	\$ 90,748	\$(24,664,492)	\$ 2,400
Shares issued through private placements (note 9(b)(iv)(v)(vii))	1,500,000	-	-	1,500,000
Warrants (note 9(b)(iv)(v)(vii))	(361,971)	361,971	-	-
Flow-through share premium (note 8(ii)(iii))	(174,079)	-	-	(174,079)
Share issue costs	(103,187)	-	-	(103,187)
Share issued for acquisition of mining property (note 9(b)(i))	30,750	-	-	30,750
Shares issued for professional services (note 9(b)(ii))	4,750	-	-	4,750
Stock options exercised (note 9(b)(iii))	27,832	(13,832)	-	14,000
Warrants exercised (note 9(b)(vi))	16,998	(4,998)	-	12,000
Share-based compensation (note 11)	-	97,561	-	97,561
Net loss for the year	-	-	(478,812)	(478,812)
Balance, December 31, 2020	\$ 25,517,237	\$ 531,450	\$(25,143,304)	\$ 905,383

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

Stone Gold Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Years Ended December 31,	
	2021	2020
Operating activities		
Net loss for the year	\$ (704,598)	\$ (478,812)
Adjustments for:		
Share-based compensation (note 11)	9,690	97,561
Unrealized gain on marketable securities	-	(35,000)
Realized loss on marketable securities	-	32,750
Premium recovery on flow-through shares (note 8)	(93,093)	(27,614)
Shares issued for acquisition of mining property (note 9(b)(i))	98,500	30,750
Shares issued for professional services (note 9(b)(ii))	-	4,750
Changes in non-cash working capital items:		
Amounts receivable and other assets	(108,750)	(10,732)
Amounts payable and other liabilities	55,205	(19,221)
Net cash (used in) operating activities	(743,046)	(405,568)
Investing activities		
Proceeds from sale of marketable securities	-	27,250
Net cash provided by investing activities	-	27,250
Financing activities		
Proceeds from exercise of options (note 9(b)(iii))	-	14,000
Proceeds from exercise of warrants (note 9(b)(vi)(viii))	152,500	12,000
Proceeds from private placements (note 9(b)(iv)(v)(vii)(ix)(x)(xi))	1,305,200	1,500,000
Shares issue costs	(129,628)	(103,187)
Net cash provided by financing activities	1,328,072	1,422,813
Net change in cash	585,026	1,044,495
Cash, beginning of year	1,075,884	31,389
Cash, end of year	\$ 1,660,910	\$ 1,075,884

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

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

1. Nature of operations and going concern

Stone Gold Inc. (the "Company") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Ontario Business Corporations Act on December 13, 2002. The Company is engaged in the acquisition, exploration and evaluation of properties for the mining of precious and base metals. The primary office of the Company is located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1.

On August 26, 2020, the Company changed its corporate name from CR Capital Corp. to Stone Gold Inc. The Company's shares commenced trading on the TSX Venture Exchange ("TSXV") under the new name at the opening of trading on September 21, 2020 and under the new trading symbol "STG".

The Company has incurred a loss of \$704,598 for the year ended December 31, 2021 (2020 - \$478,812) and as at December 31, 2021, had an accumulated deficit of \$25,825,402 (2020 - \$25,143,304). These conditions indicate the existence of a material uncertainty that casts significant doubt as to whether the Company can continue as a going concern.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

The business of acquisition, exploration and evaluation for minerals involves a high degree of risk and there can be no assurance that the current exploration programs will result in profitable operations.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's continued existence is dependent upon the establishment of a sufficient quantity of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition of these assets.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

The Company continues to actively monitor the impact of the COVID-19 pandemic, including the impact on economic activity and financial reporting. To date, our operations have remained stable as the pandemic continues to progress and evolve but it is difficult to predict the full extent and duration of resulting operational and economic impacts for the Company, which are expected to impact a number of reporting periods.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant accounting policies

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2021.

The financial statements were approved by the Board of Directors on April 28, 2022.

(b) *Basis of presentation*

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit and loss ("FVTPL") that are carried at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

In the preparation of these financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in note 2(o).

(c) *Functional and reporting currency*

The functional and reporting currency, as determined by management, of the Company is the Canadian dollar as this is the principal currency of the economic environment in which the Company operates.

(d) *Cash*

Cash in the statements of financial position is comprised of cash held on deposit with a Canadian financial institution or in trust by external legal counsel of the Company.

(e) *Financial instruments*

Under IFRS 9 - Financial Instruments ("IFRS 9"), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and FVTPL.

Below is a summary showing the classification and measurement bases of our financial instruments.

Financial instruments	Classification
Cash	Amortized cost
Amounts payable and other liabilities	Amortized cost

The carrying value of the Company's cash and amounts payable and other liabilities approximate fair value due to their short-term maturity.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(e) *Financial instruments (continued)*

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

i. Financial assets recorded at FVTPL

Gains or losses on these items are recognized in profit or loss.

ii. Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest".

The Company's cash is classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

i. Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination.

The Company's amounts payable and other liabilities do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

ii. Financial liabilities recorded FVTPL

Financial liabilities are classified as FVTPL if they fall into one of the five exemptions detailed above.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(e) *Financial instruments (continued)*

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in profit or loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Expected credit loss impairment model

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(f) *Exploration and evaluation expenditures*

The Company expenses exploration and evaluation expenditures as incurred on mineral properties not commercially viable and financially feasible. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Option payments received are recorded as property option revenue in profit or loss when received.

(g) *Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows to present value.

(h) *Fair value measurements of financial instruments*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(i) *Flow-through shares*

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a premium on flow-through shares to the statement of loss and comprehensive loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(j) *Share-based payment transactions*

The fair value of share options granted to employees is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate. Amounts recorded for expired stock options and warrants are transferred to accumulated deficit.

(k) *Restoration, rehabilitation and environmental obligations*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

(l) *Income taxes*

Income tax 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, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the financial position reporting date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

2. Significant accounting policies (continued)

(m) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options and warrants outstanding that are dilutive. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

(n) Operating segments

The Company has one operating segment which is the acquisition and exploration of mineral properties in Canada. In making this determination, the chief operating decision maker reviews various factors including geographical location of the properties and that activity on all properties is managed centrally.

(o) Significant accounting judgments and estimates

The preparation of these financial statements in accordance with IFRS requires the Company to make judgments in applying its accounting policies and estimates and assumptions about the future. These judgments, estimates and assumptions affect the reported amounts of assets, liabilities and expenses, and the related disclosure of assets and liabilities included in the Company's financial statements. The Company evaluates its estimates on an ongoing basis. Such estimates are based on historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following discusses the most significant accounting judgments, estimates and assumptions that the Company has made in the preparation of its financial statements.

- The measurement of income taxes requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.
- The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.
- Valuation of options and warrants - when options and warrants are issued, the Company calculates their estimated fair value using a Black-Scholes valuation model, which may not reflect the actual value on exercise. The Company uses publicly available rates, where available, as inputs into the model including volatility assumptions. The Company recognizes the fair value of stock options on the statements of loss when vesting occurs.
- Contingencies (note 18).

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

3. Future accounting standards

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 1 - Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

4. Capital risk management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company's ability to continue to carry out its operating activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be equity, comprising share capital, reserves and accumulated deficit, which at December 31, 2021, totaled \$1,433,228 (December 31, 2020 - \$905,383) which is an increase of \$527,845.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2021. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body other than the flow-through contractual obligations (refer to note 8), and the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2021, the Company believes it is compliant with the policies of the TSXV.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

5. Financial risk management

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

(i) Credit risk

Credit risk is the risk of loss associated with a counterpart's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a major Canadian chartered bank, from which management believes the risk of loss to be minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities or sale of assets. As at December 31, 2021, the Company had cash of \$1,660,910 (December 31, 2020 - \$1,075,884) to settle current liabilities of \$357,390 (December 31, 2020 - \$191,459). The Company notes that the flow-through share liability which represents \$260,019 of current liabilities balance is not settled through cash payment. Instead, this balance is amortized against qualifying flow-through expenditures which are required to be incurred before December 31, 2022. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company's ability to continually meet its obligations is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity price.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt at December 31, 2021. The Company's current policy is to invest surplus cash in high yield savings accounts and guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is \$nil.

(c) Price risk

The ability of the Company to acquire new properties and the future profitability of the Company is directly related to the market price of certain minerals. The Company's risk management objectives are to ensure that business and financial exposures to risk that have been identified and measured are minimized using the most effective and efficient methods to reduce, transfer and, when possible, eliminate such exposures. Operating decisions contemplate associated risks and management strives to structure proposed transactions to avoid or reduce risk whenever possible.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

6. Amounts receivable and other assets

As at December 31,	2021	2020
Sales tax receivable - Canada	\$ 16,862	\$ 11,984
Prepaid expenses	112,846	8,974
	\$ 129,708	\$ 20,958

7. Amounts payable and other liabilities

As at December 31,	2021	2020
Trade payables	\$ 34,004	\$ 18,915
Accrued liabilities	63,367	23,251
	\$ 97,371	\$ 42,166

The following is an aged analysis of the amounts payable and other liabilities:

As at December 31,	2021	2020
Less than 1 month	\$ 97,371	\$ 42,166

8. Flow-through share liability

The following is a continuity schedule of the liability of the flow-through shares issuance:

Balance, December 31, 2019	\$ 2,828
Liability incurred on flow-through shares issued (ii)(iii)	174,079
Settlement of flow-through share liability by incurring expenditures (i)(ii)(iii)	(27,614)
Balance, December 31, 2020	149,293
Liability incurred on flow-through shares issued (iv)	203,819
Settlement of flow-through share liability by incurring expenditures (ii)	(93,093)
Balance, December 31, 2021	\$ 260,019

(i) The flow-through units issued in the private placements completed in October 9, 2019 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$4,750.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the year ended December 31, 2021, the Company satisfied \$nil (2020 - \$2,828) of the commitment by incurring eligible expenditures of \$nil (2020 - \$28,285).

(ii) The flow-through units issued in the private placements completed in July 2020 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$174,079.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the year December 31, 2021, the Company satisfied \$93,093 (2020 - \$24,786) of the commitment by incurring eligible expenditures of \$311,783 (2020 - \$71,192).

(iii) The flow-through units issued in the private placements completed in December 2020 were not issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$nil.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

8. Flow-through share liability (continued)

(iv) The flow-through units issued in the private placements completed in December 2021 were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The flow-through premium was calculated to be \$203,819.

The flow-through premium is derecognized through income as the eligible expenditures are incurred. For the year ended December 31, 2021, the Company satisfied \$nil of the commitment by incurring eligible expenditures of approximately \$nil.

9. Share capital

a) Authorized share capital

The authorized share capital consisted of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

As at December 31, 2021, the issued share capital amounted to \$26,428,690. Changes in issued share capital for the years presented are as follows:

	Number of common shares	Amount
Balance, December 31, 2019	11,277,335	\$ 24,576,144
Shares issued for acquisition of mineral property (i)	300,000	30,750
Shares issued for professional services (ii)	50,000	4,750
Stock options exercised (iii)	280,000	27,832
Warrants exercised (vi)	120,000	16,998
Shares issued through private placements (iv)(v)(vii)	13,750,000	1,500,000
Warrants (iv)(v)(vii)	-	(361,971)
Flow-through share premium (note 8(ii)(iii))	-	(174,079)
Share issue costs	-	(103,187)
Balance, December 31, 2020	25,777,335	25,517,237
Shares issued for acquisition of mineral property (i)	930,000	98,500
Warrants exercised (viii)	1,575,000	195,195
Shares issued through private placements (ix)(x)(xi)	11,993,332	1,305,200
Warrants (ix)(x)(xi)	-	(353,995)
Flow-through share premium (note 8(iv))	-	(203,819)
Share issue costs	-	(129,628)
Balance, December 31, 2021	40,275,667	\$ 26,428,690

(i) Refer to note 13(b). The fair value was estimated based on the closing price of the Company's share on the date of issue.

(ii) In 2020, in connection with the option agreement (refer to note 13(b)), the Company paid a finder's fee of 50,000 common shares valued at \$4,750 to a third party, who aided the Company in identifying and acquiring the MJ Property (as defined in note 13(b)). The fair value of the Company's shares was estimated based on the closing price of the Company's share on the date of issue.

(iii) On May 15, 2020, 280,000 stock options with an exercise price of \$0.05 and expiry date of April 12, 2024 were exercised for gross proceeds of \$14,000.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

9. Share capital (continued)

b) Common shares issued (continued)

(iv) On July 20, 2020, the Company closed the first tranche ("First Tranche") of the non-brokered private placement for aggregate gross proceeds of \$814,800. The First Tranche consisted of the sale of 5,810,000 units ("Units") at a price of \$0.08 per Unit and 3,500,000 flow-through units ("FT Units") at a price of \$0.10 per FT Unit.

Each FT Unit consists of one flow-through common share of the Company and one-half of one common share purchase warrant (each whole warrant, a "FT Warrant"), with each whole FT Warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.125 for a period of eighteen months following the closing of the offering. Each Unit consists of one common share of the Company and one common share purchase warrant (each a "Warrant"), with each Warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.10 for a period of eighteen months following the closing of the offering.

The fair value of the 1,750,000 FT Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.05; expected dividend yield of 0%; risk-free interest rate of 0.23%; volatility of 128% and an expected life of 1.5 years. The fair value assigned to these FT Warrants was \$42,645.

The fair value of the 5,810,000 Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.05; expected dividend yield of 0%; risk-free interest rate of 0.23%; volatility of 128% and an expected life of 1.5 years. The fair value assigned to these Warrants was \$156,850.

In connection with the First Tranche eligible finders were paid \$11,760 in cash compensation for their assistance with the First Tranche.

In connection with the First Tranche, Brian Howlett, former Chief Executive Officer of the Company, acquired 211,250 Units.

(v) On July 24, 2020, the Company closed the second and final tranche ("Second Tranche") of the non-brokered private placement for aggregate gross proceeds of \$185,200. The Second Tranche consisted of the sale of 440,000 Units at a price of \$0.08 per Unit and 1,500,000 FT Units at a price of \$0.10 per FT Unit.

The fair value of the 750,000 FT Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.05; expected dividend yield of 0%; risk-free interest rate of 0.24%; volatility of 128% and an expected life of 1.5 years. The fair value assigned to these FT Warrants was \$18,276.

The fair value of the 440,000 Warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.05; expected dividend yield of 0%; risk-free interest rate of 0.24%; volatility of 128% and an expected life of 1.5 years. The fair value assigned to these Warrants was \$11,880.

In connection with the Second Tranche eligible finders were paid \$1,500 in cash compensation for their assistance with the First Tranche.

(vi) On November 30, 2020, 120,000 warrants with an exercise price of \$0.10 and expiry date of January 20, 2022 were exercised for gross proceeds of \$12,000.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

9. Share capital (continued)

b) Common shares issued (continued)

(vii) On December 30, 2020, the Company closed a non-brokered private placement for aggregate gross proceeds of \$500,000. The offering consisted of the sale of 2,500,000 flow-through units at a price of \$0.20 per flow-through unit. Each flow-through unit consists of one flow-through common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.30 for a period of twenty-four months following the closing of the offering.

The fair value of the 1,250,000 warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.15; expected dividend yield of 0%; risk-free interest rate of 0.20%; volatility of 181% and an expected life of 2 years. The fair value assigned to these warrants was \$132,320.

In connection with the offering eligible finders were paid \$23,674 in cash compensation for their assistance with the offering.

In connection with the offering, Brian Howlett, the former Chief Executive Officer of the Company, acquired 59,000 flow-through units.

(viii) On January 13, 2021, 125,000 warrants with an exercise price of \$0.10 and expiry date of January 20, 2022 were exercised for gross proceeds of \$12,500. On January 28, 2021, 1,250,000 warrants with an exercise price of \$0.10 and expiry date of January 20, 2022 were exercised for gross proceeds of \$125,000. On February 22, 2021, 200,000 warrants with an exercise price of \$0.075 and expiry date of October 9, 2021 were exercised for gross proceeds of \$15,000.

(ix) On November 16, 2021, the Company closed a non-brokered private placement for aggregate gross proceeds of \$500,000. The offering consisted of the sale of 5,000,000 units at a price of \$0.10 per unit. Each unit consists of one common share of the Company, and one common share purchase warrant, with each warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.15 for a period of twenty-four months following the closing of the offering.

The fair value of the 5,000,000 warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.15; expected dividend yield of 0%; risk-free interest rate of 1.05%; volatility of 157% and an expected life of 2 years. The fair value assigned to these warrants was \$192,944.

In connection with the offering, eligible finders were paid \$10,500 in cash compensation for their assistance with the offering.

The securities issued pursuant to the offering will be subject to a statutory hold period of four months and one day in accordance with applicable securities laws.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

9. Share capital (continued)

b) Common shares issued (continued)

(x) On December 23, 2021, the Company closed the first tranche of a non-brokered private placement for aggregate gross proceeds of \$431,200. The offering consisted of the sale of 2,384,999 flow-through units at a price of \$0.12 per flow-through unit and 1,450,000 units at a price of \$0.10 per unit. Each flow-through unit consists of one flow-through common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.20 for a period of twenty-four months following the closing of the offering. Each unit consists of one common share of the Company and one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.15 for a period of twenty-four months following the closing of the offering.

The fair value of the 1,192,500 flow-through warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.20; expected dividend yield of 0%; risk-free interest rate of 0.98%; volatility of 158% and an expected life of 2 years. The fair value assigned to these warrants was \$41,870.

The fair value of the 1,450,000 warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.15; expected dividend yield of 0%; risk-free interest rate of 0.98%; volatility of 158% and an expected life of 2 years. The fair value assigned to these warrants was \$55,733.

In connection with the offering eligible finders were paid \$18,270 in cash compensation for their assistance with the offering.

The flow-through units, hard-dollar units and underlying securities are subject to a customary four months and a day hold period.

(xi) On December 24, 2021, the Company closed the second and final tranche of a non-brokered private placement for aggregate gross proceeds of \$374,000. The offering consisted of the sale of 2,908,333 flow-through units at a price of \$0.12 per flow-through unit and 250,000 hard-dollar units at a price of \$0.10 per hard-dollar unit. Each flow-through unit consists of one flow-through common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.20 for a period of twenty-four months following the closing of the offering. Each hard-dollar unit consists of one common share of the Company and one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one additional common share of the Company at a price of \$0.15 for a period of twenty-four months following the closing of the offering.

The fair value of the 1,454,163 flow-through warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.20; expected dividend yield of 0%; risk-free interest rate of 0.98%; volatility of 159% and an expected life of 2 years. The fair value assigned to these warrants was \$53,825.

The fair value of the 250,000 warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: exercise price of \$0.15; expected dividend yield of 0%; risk-free interest rate of 0.98%; volatility of 159% and an expected life of 2 years. The fair value assigned to these warrants was \$9,623.

In connection with the offering eligible finders were paid \$24,500 in cash compensation for their assistance with the offering.

The flow-through units, hard-dollar units and underlying securities are subject to a customary four months and a day hold period.

Stone Gold Inc.**Notes to Financial Statements****Years Ended December 31, 2021 and 2020****(Expressed in Canadian dollars)**

10. Warrants

The following table reflects the continuity of warrants for the years ended December 31, 2021 and 2020:

	Number of warrants	Weighted average exercise price (\$)
Balance, December 31, 2019	950,000	0.075
Issued (note 9(b)(iv)(v)(vii))	10,000,000	0.131
Exercised (note 9(b)(vi))	(120,000)	0.100
Balance, December 31, 2020	10,830,000	0.127
Issued (note 9(b)(ix)(x)(xi))	9,346,663	0.164
Exercised (note 9(b)(viii))	(1,575,000)	0.097
Expired	(750,000)	0.075
Balance, December 31, 2021	17,851,663	0.151

The following table reflects the actual warrants issued and outstanding as of December 31, 2021:

Number of warrants outstanding	Grant date fair value(\$)	Exercise price (\$)	Expiry date
1,750,000	42,645	0.125	January 20, 2022
4,315,000	115,157	0.100	January 20, 2022
750,000	18,276	0.125	January 24, 2022
440,000	11,880	0.100	January 24, 2022
1,250,000	132,320	0.300	December 30, 2022
5,000,000	192,944	0.100	November 16, 2023
1,192,500	41,870	0.200	December 23, 2023
1,450,000	55,733	0.150	December 23, 2023
1,454,163	53,825	0.200	December 24, 2023
250,000	9,623	0.150	December 24, 2023
17,851,663	674,273	0.151	

11. Stock options

The Company adopted an incentive stock option plan (the "Plan"), dated December 13, 2002, which provides that the directors of the Company may, from time to time, grant to directors, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase common shares, provided that the number of common shares reserved for issuance under the Plan not exceed ten percent (10%) of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent (5%) of the issued and outstanding common shares in any twelve-month period. The Plan provides that the terms of the option and the option price shall be fixed by the directors of the Company. Stock options granted under the Plan may not be for a period longer than five years and the exercise price must be paid in full upon exercise of the option.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

11. Stock options (continued)

The following table reflects the continuity of stock options:

	Number of stock options	Weighted average exercise price (\$)
Balance, December 31, 2019	775,000	0.10
Granted (i)(ii)	1,000,000	0.15
Exercised (note 9(b)(iii))	(280,000)	0.05
Balance, December 31, 2020	1,495,000	0.14
Granted (iii)	100,000	0.11
Balance, December 31, 2021	1,595,000	0.14

(i) On November 2, 2020, the Company granted 950,000 stock options to certain directors, officers and consultants of the Company. All options are exercisable at a price of \$0.15 per common share. The options vest immediately and expire in five years. The grant date fair value of \$89,322 or \$0.0940 per option was valued using the Black-Scholes valuation model with the following assumptions: share price of \$0.15, expected dividend yield of 0%, expected volatility of 79% which is based on historical volatility of the Company's share price, risk-free rate of return of 0.39% and an expected maturity of 5 years. For the year ended December 31, 2021, \$nil (year ended December 31, 2020 - \$89,322) was expensed to share-based compensation.

(ii) On December 9, 2020, the Company granted 50,000 stock options to the corporate secretary of the Company. All options are exercisable at a price of \$0.17 per common share. The options vest immediately and expire in five years. The grant date fair value of \$8,239 or \$0.1648 per option was valued using the Black-Scholes valuation model with the following assumptions: share price of \$0.17, expected dividend yield of 0%, expected volatility of 193% which is based on historical volatility of the Company's share price, risk-free rate of return of 0.47% and an expected maturity of 5 years. For the year ended December 31, 2021, \$nil (year ended December 31, 2020 - \$8,239) was expensed to share-based compensation.

(iii) On July 12, 2021, the Company granted 100,000 stock options to a director of the Company. All options are exercisable at a price of \$0.11 per common share. The options vest immediately and expire in five years. The grant date fair value of \$9,690 or \$0.0969 per option was valued using the Black-Scholes valuation model with the following assumptions: share price of \$0.11, expected dividend yield of 0%, expected volatility of 138% which is based on historical volatility of the Company's share price, risk-free rate of return of 0.93% and an expected maturity of 5 years. For the year ended December 31, 2021, \$9,690 (year ended December 31, 2020 - \$nil) was expensed to share-based compensation.

The following table reflects the actual stock options issued and outstanding as of December 31, 2021:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
April 9, 2023	0.15	1.27	375,000	375,000
April 12, 2024	0.05	2.28	120,000	120,000
November 2, 2025	0.15	3.84	950,000	950,000
December 9, 2025	0.17	3.94	50,000	50,000
July 12, 2026	0.11	4.53	100,000	100,000
		3.17	1,595,000	1,595,000

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

12. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2021 was based on the loss attributable to common shareholders of \$704,598 (2020 - \$478,812) and the weighted average number of common shares outstanding of 28,636,591 (year ended December 31, 2020 - 16,623,719). Diluted loss per share did not include the effect of 1,595,000 stock options (December 31, 2020 - 1,495,000 stock options) and 17,851,663 warrants (December 31, 2020 - 10,830,000 warrants) as they are anti-dilutive.

13. Exploration and evaluation expenditures

	Year Ended December 31,	
	2021	2020
Copper Road Project (a)		
Administration	\$ -	\$ 731
General and geology	117,521	56,087
Laboratory analysis	-	6,328
Permits	5,000	-
Property acquisition costs	107,000	-
Travel, hotel and meals	1,590	-
	\$ 231,111	\$ 63,146
Mount Jamie North Property (b)		
General and geology	\$ 55,954	\$ 20,116
Geophysics	-	22,512
Drilling	136,806	-
Property acquisition costs	41,500	45,750
	\$ 234,260	\$ 88,378
Total	\$ 465,371	\$ 151,524

(a) Copper Road Project

On September 18, 2017, the Company acquired a 100% interest in certain mining claims situated in Kincaid, Ryan and Palmer townships in the Province of Ontario.

All of the claims carry a 0.5% royalty, with the exception of 4 claims which carry an additional 1.5% royalty.

On March 10, 2021, the Company announced that it entered into an option agreement (the "East Breccia Option Agreement") to earn a 100% interest in certain mineral claims in Batchewana Bay, Ontario making up the East Breccia project (the "East Breccia Project") and a second option agreement with current claims holders (the "Tribag Option Agreement") to earn a 100% interest in certain minerals claims in Batchewana Bay, Ontario making up the Tribag project (the "Tribag Project").

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

13. Exploration and evaluation expenditures (continued)

(a) Copper Road Project (continued)

East Breccia Option Agreement

Under the terms of the East Breccia Option Agreement, the Company has the option to acquire a 100% interest in the East Breccia Project by making the following cash payments and shares issuances:

1. cash payment of \$15,000 (paid) on the day of acceptance of the transaction by the TSXV (received on April 22, 2021);
2. issuance of 200,000 common shares of the Company ("Shares") (issued and valued at \$22,000) by the 30th day following April 22, 2021;
3. cash payment of \$25,000 (paid) and issuance of 200,000 Shares (issued) by the first anniversary of April 22, 2022 (refer to note 19(iii));
4. cash payment of \$35,000 and issuance of 200,000 Shares by the second anniversary of April 22, 2023;
5. cash payment of \$40,000 and issuance of 100,000 Shares by the third anniversary of April 22, 2024; and
6. cash payment of \$50,000 and issuance of 100,000 Shares by the fourth anniversary of April 22, 2025.

To further maintain the East Breccia Option Agreement in full force and effect, the Company shall also incur cumulative exploration expenditures on the East Breccia Project of \$300,000 as follows: (1) \$100,000 on or before the second anniversary of the closing; (2) \$100,000 on or before the third anniversary of the closing; and (3) \$100,000 on or before the fourth anniversary of the closing.

Under the terms of the East Breccia Option Agreement, the Company will pay a 2% Net Smelter Return royalty (the "NSR") to the vendors on commencement of commercial production. The Company will have the right, at any time until one year after commercial production to purchase 1% of the 2% NSR for \$1,000,000.

Tribag Option Agreement

Under the terms of the East Breccia Option Agreement, the Company has the option to acquire a 100% interest in the Tribag Project by making the following cash payments and Shares issuances:

1. cash payment of \$15,000 (paid) on the date of execution of the Tribag Option Agreement;
2. issuance of 500,000 Shares (issued and valued at \$55,000) by the 30th day following April 22, 2021;
3. cash payment of \$30,000 (paid) and issuance of 250,000 Shares (issued) by the first anniversary of April 22, 2022 (refer to note 19(iii));
4. cash payment of \$15,000 and issuance of 250,000 Shares by the second anniversary of April 22, 2023; and
5. cash payment of \$15,000 and issuance of 500,000 Shares by the third anniversary of April 22, 2024.

To further maintain the Tribag Option Agreement in full force and effect, the Company shall also incur cumulative exploration expenditures on the Tribag Project of \$400,000 as follows: (1) \$100,000 on or before the second anniversary of the execution date; (2) \$100,000 on or before the third anniversary of the execution date; and (3) \$200,000 on or before the fourth anniversary of the execution date.

Under the terms of the Tribag Option Agreement, the Company will pay a 2% NSR to the vendors on commencement of commercial production. The Company will have the right, at any time until one year after completion of any bankable feasibility study to purchase 0.5% of the 2% NSR for \$500,000, and at any time until one year after commercial production to purchase an additional 0.5% of the 2% NSR for \$750,000.

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

13. Exploration and evaluation expenditures (continued)

(b) Mount Jamie North Property

On June 3, 2020, the Company announced it entered into an option agreement with Bounty Gold Corp. ("Bounty"), a private company, to purchase a 100% interest in the Mount Jamie North Property (the "MJ Property") located in Red Lake, Ontario. The MJ Property consists of certain mineral claims located in Todd Township, Red Lake Mining Division, District of Kenora, Northwestern Ontario.

Under the terms of the option agreement, the Company has the option to acquire a 100% interest in the MJ Property by making the following cash payments and share issuances:

- An initial cash payment of \$7,500 (paid) and the issuance of 150,000 common shares of the Company (issued and valued at \$14,250) by the seventh day following acceptance of the TSXV (the "Closing");
- A cash payment of \$7,500 (paid) and issuing 150,000 common shares (issued and valued at \$16,500) within 180 days after the Closing; and
- A cash payment of \$10,000 (paid) and issuing 200,000 common shares (issued and valued at \$17,000) within one year after the Closing.

The Company can, at its option, accelerate the cash payments and common share issuances described above. All common share issuances by the Company will be subject to a statutory four-month and a day hold period as per Canadian securities law.

In addition, the Company will pay a 2.0% NSR to Bounty on commencement of commercial production. The Company will have the right, at any time and upon 30 days' notice, to purchase 1.0% of the 2.0% NSR for \$1,000,000.

On January 12, 2021, the Company entered into an asset purchase agreement with EMX Royalty Corporation ("EMX"), pursuant to which the Company will acquire certain mineral claims in Red Lake, Ontario from EMX. Under the terms of the agreement, EMX will receive a cash payment of \$10,000 (paid), the grant of a 1.5% NSR on the claims and will be issued 30,000 common share of the Company (issued and valued at \$4,500) for 100% ownership of the claims. The acquisition was completed on February 2, 2021.

14. General and administrative

	Year Ended December 31,	
	2021	2020
Professional fees (note 15)	\$ 112,961	\$ 92,245
Management compensation (note 15)	79,000	42,000
Director fees (note 15)	60,000	32,000
Reporting issuer costs	27,235	19,710
Office and general	23,258	12,624
Shareholder and investors relations	15,009	16,290
Share-based compensation (note 11)	9,690	97,561
Business development	4,181	44,248
Bank charges	986	474
	\$ 332,320	\$ 357,152

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

15. Related party disclosures

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Remuneration of directors and key management personnel (including Chief Executive Officer), Chief Financial Officer ("CFO") and directors), other than consulting fees, of the Company was as follows:

	Year Ended December 31,	
	2021	2020
Management compensation and salaries and benefits ⁽¹⁾	\$ 150,540	\$ 92,540
Share-based compensation	\$ 9,690	\$ 83,458

(1) Salaries and benefits include director fees. The Board of Directors and select officers do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services and officers are entitled to fees and stock options for their services. During the year ended December 31, 2021, \$60,000 (year ended December 31, 2020 - \$32,000) was paid or accrued for director fees. As at December 31, 2021, officers and directors (excluding the CFO) were owed \$nil (December 31, 2020 - \$1,602) and this amount was included in amounts payable and other liabilities.

The Company entered into the following transactions with related parties:

	Notes	Year Ended December 31,	
		2021	2020
Marrelli Support Services Inc. ("Marrelli Support")	(i)	\$ 20,900	\$ 20,695
DSA Filing Services Limited ("DSA")	(ii)	\$ 2,622	\$ 3,946
Marrelli Press Release Services Limited ("Press Release")	(iii)	\$ 5,824	\$ 7,172

(i) During the year ended December 31, 2021, the Company paid professional fees of \$20,900 (year ended December 31, 2020 - \$20,695) to Marrelli Support, an organization of which Carmelo Marrelli is Managing Director. Carmelo Marrelli is the CFO of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. As at December 31, 2021, Marrelli Support was owed \$1,784 (December 31, 2020 - \$2,914) and this amount was included in amounts payable and other liabilities.

(ii) During the year ended December 31, 2021, the Company paid professional fees of \$2,622 (year ended December 31, 2020 - \$3,946) to DSA, an organization of which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. As at December 31, 2021, DSA was owed \$339 (December 31, 2020 - \$339) and this amount was included in amounts payable and other liabilities.

(iii) During the year ended December 31, 2021, the Company paid professional fees of \$5,824 (year ended December 31, 2020 - \$7,172) to Press Release, an organization of which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of Press Release. These services were incurred in the normal course of operations for press release matters. As at December 31, 2021, Press Release was owed \$1,363 (December 31, 2020 - \$1,110) and this amount was included in amounts payable and other liabilities.

(iv) Refer to note 9(b)(iv)(vii).

All amounts due to related parties are unsecured, non-interest bearing and due on demand.

Stone Gold Inc.**Notes to Financial Statements****Years Ended December 31, 2021 and 2020****(Expressed in Canadian dollars)**

16. Income taxes**(a) Provision for income taxes**

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2020 - 26.5%) were as follows:

Year Ended December 31,	2021	2020
Loss before income taxes	\$ (704,598)	\$ (478,812)
Expected income tax recovery based on statutory rate:	187,000	127,000
Adjustments to expected income tax benefit:		
Share-based compensation	(3,000)	(26,000)
Flow-through renunciation	83,000	19,000
Share issue costs	13,000	6,000
Change in tax assets not recognized	(280,000)	(126,000)
Income tax recovery	\$ -	\$ -

(b) Deferred income tax

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

Year Ended December 31,	2021	2020
Unrecognized deductible temporary differences		
Mineral property costs	\$ 5,610,000	\$ 5,457,000
Non-capital loss carry-forwards (c)	5,466,000	5,188,000
Share issue costs	169,000	88,000
	\$ 11,245,000	\$ 10,733,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

(c) Tax loss carry-forwards

At December 31, 2021, the Company has available non-capital losses carry-forwards for Canadian tax purposes that have not been recognized in the financial statements and that will expire as follows:

2026	\$ 374,000
2027	319,000
2028	813,000
2029	430,000
2030	787,000
2031	280,000
2032	562,000
2033	431,000
2034	198,000
2036	203,000
2037	181,000
2038	172,000
2039	167,000
2040	271,000
2041	278,000
	<u><u>\$ 5,466,000</u></u>

Stone Gold Inc.

Notes to Financial Statements

Years Ended December 31, 2021 and 2020

(Expressed in Canadian dollars)

17. Segmented information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

18. Commitments and contingencies

Environmental contingencies

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. The Company believes its operations are materially in compliance with all applicable laws and regulations.

The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. Management estimates that there is no material financial effect of environmental contingencies as at the dates presented in the statements of financial position.

Flow-through shares

Pursuant to the terms of a flow-through share agreement, the Company is in the process of complying with flow-through contractual obligations to subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As of December 31, 2021, the Company is committed to incurring approximately \$1,252,000 in Canadian Exploration Expenditures (as such term is defined in the Income Tax Act (Canada)) by December 31, 2022 arising from the flow-through offerings.

Tax matters

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time, certain matters are reviewed and challenged by the tax authorities.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that the ultimate disposition of any tax matters in dispute with tax authorities will not have a material adverse effect on its liquidity, financial position or results of operations because the Company believes that it has complied with the appropriate taxation rules. Should the ultimate tax liability materially differ from the Company's expectations, the Company's cash position could be affected positively or negatively in the period in which the matters are resolved.

19. Subsequent events

(i) On February 14, 2022, the Company announced it granted a total of 1,550,000 incentive stock options of the Company to officers, directors and consultants. All options are exercisable at a price of \$0.15 per common share. 800,000 options vest immediately and the remainder vest as to 25% on each of 6, 12, 18 and 24 months after the date of grant.

(ii) Subsequent to year end, the following warrants expired unexercised: 1,750,000 warrants with an exercise price of \$0.125 and expiry date of January 20, 2022; 4,315,00 warrants with an exercise price of \$0.10 and expiry date of January 20, 2022; 750,000 warrants with an exercise price of \$0.125 and expiry date of January 24, 2022; and 440,000 warrants with an exercise price of \$0.10 and expiry date of January 24, 2022.

(iii) Subsequent to year end, the Company paid \$25,000 in cash and issued 200,000 common shares of the Company according to the East Breccia Option Agreement and paid \$30,000 in cash and issued 250,000, common shares of the Company according to the Tribag Option Agreement (refer to note 13(a)).