



**NORTHERN LION
GOLD CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Northern Lion Gold Corp.

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

April 29, 2022

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	December 31, 2021	December 31, 2020
	\$	\$
ASSETS		
Current assets		
Cash	64,927	33,076
Subscriptions receivable (Note 6)	939,000	-
Receivables	4,313	140
Prepaid expenses	2,424	2,207
Total current assets	1,010,664	35,423
Non-current assets		
Exploration and evaluation assets (Note 3)	335,066	331,566
Equipment (Note 4)	307	439
Total assets	1,346,037	367,428
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	95,717	82,581
Due to related parties (Note 5)	485,000	315,000
Total liabilities	580,717	397,581
Shareholders' equity (deficiency)		
Share capital (Note 6)	30,509,716	29,523,716
Reserves (Note 6)	191,906	191,906
Deficit	(29,936,302)	(29,745,775)
Total shareholders' equity (deficiency)	765,320	(30,153)
Total liabilities and shareholders' equity (deficiency)	1,346,037	367,428

Nature and continuance of operations (Note 1)

Subsequent event (Note 12)

Approved and authorized by the Board on April 29, 2022

On behalf of the Board of Directors:

"Jeffrey O'Neill"
Director

"Richard Silas"
Director

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

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	For the years ended	
	December 31,	December 31,
	2021	2020
	\$	\$
OPERATING EXPENSES		
Depreciation (Note 4)	132	188
Filing and regulatory fees	10,877	14,993
Foreign exchange gain	(1,456)	(79)
Management fees (Note 5)	120,000	90,000
Office and general	9,155	8,944
Professional fees	51,819	62,661
Loss and comprehensive loss for the year	(190,527)	(176,707)
Basic and diluted loss per common share (Note 7)	(0.02)	(0.02)
Weighted average number of common shares outstanding	8,696,107	8,671,835

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

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the years ended December 31,	
	2021	2020
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Loss for the year	(190,527)	(176,707)
Item not affecting cash:		
Depreciation	132	188
Changes in non-cash working capital items:		
Receivables	(4,173)	5,629
Prepaid expenses	(217)	(187)
Accounts payable and accrued liabilities	13,136	41,582
Due to related parties	170,000	90,000
	<u>(11,649)</u>	<u>(39,495)</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation assets expenditure	<u>(3,500)</u>	<u>(3,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Warrants exercised	<u>47,000</u>	4,000
Change in cash during the year	31,851	(38,995)
Cash, beginning of year	<u>33,076</u>	<u>72,071</u>
Cash, end of year	<u>64,927</u>	<u>33,076</u>
Supplemental disclosure with respect to cash flows		
Warrant proceeds included in subscriptions receivable	939,000	-

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

NORTHERN LION GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	Number of Shares Outstanding	Share Capital \$	Reserves \$	Deficit \$	Shareholders' Equity (Deficiency) \$
Balance at December 31, 2019	8,662,600	29,519,716	191,906	(29,569,068)	142,554
Warrants exercised	20,000	4,000	-	-	4,000
Loss for the year	-	-	-	(176,707)	(176,707)
Balance at December 31, 2020	8,682,600	29,523,716	191,906	(29,745,775)	(30,153)
Warrants exercised	4,930,000	986,000	-	-	986,000
Loss for the year	-	-	-	(190,527)	(190,527)
Balance at December 31, 2021	13,612,600	30,509,716	191,906	(29,936,302)	765,320

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

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Lion Gold Corp. (the “Company”) was incorporated on November 19, 1980 under the Laws of British Columbia and is listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “NL” and on the Frankfurt Stock Exchange under the symbol “N3E”. The Company’s registered and records office address is Suite 615, 800 West Pender Street, Vancouver, BC, V6C 2V6.

The Company is a mineral exploration company focused on acquiring, exploring and developing mineral properties in Canada.

At the date of the consolidated financial statements, the Company has not identified a known body of commercial grade mineral on its property. The ability of the Company to realize the costs it has incurred to date on its property is dependent upon the Company identifying a commercial mineral body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property.

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing. These circumstances comprise a material uncertainty which may cast significant doubt as to the ability of the Company to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these financial statements.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of presentation

These consolidated financial statements have been prepared in accordance with 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”). These consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances and transactions, income and expenses have been eliminated upon consolidation.

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Subsidiary

A subsidiary is an entity controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

The principal subsidiary of the Company as of December 31, 2021 and 2020 is as follows:

Name of subsidiary	Principal Activity	Incorporation	Interest
Katla Exploration Ltd.	Mineral exploration	Republic of Cyprus	100%

Foreign exchange

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred. All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its mineral properties at each statement of financial position reporting date to consider if there is an impairment in value to take into consideration from current exploration results and management's assessment of the exploration results and of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves.

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the declining balance method at the following annual rates:

Computer equipment 30%

The Company's equipment is reviewed for indications of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Provision for environmental rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates 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 Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as accretion expense.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral properties.

Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position reporting date. If an indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the (1) asset's fair value less costs to sell and (2) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For 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.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates, or is expected to generate, cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment - continued

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned a value based on the residual value, if any, and included in reserves.

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

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When vested options are forfeited or are not exercised at the expiry date, the amount previously recognized in share-based payments is transferred to deficit.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Loss per share

The dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes

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

Deferred tax is recognized in respect of temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiary to the extent that they will probably 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 date of the statement of financial position.

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.

Income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Recoverability of exploration and evaluation assets: Management is required to assess impairment in respect of exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Significant accounting estimates and judgments - continued

Critical accounting judgments

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Going concern of operations:** The 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 its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used (Note 1).
- **Determination of provisions for income taxes and the recognition of deferred income taxes:** In assessing the probability of realizing deferred tax assets, management makes estimates related to the expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that the tax position taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.
- **Uncertainty of COVID-19 pandemic:** In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect and harm our business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash, subscriptions receivable, and receivables are measured at amortized cost with subsequent impairments recognized in profit or loss.

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment

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

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

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and due to related parties are classified as amortized cost and carried on the statement of financial position at amortized cost.

As at December 31, 2021 and 2020, the Company does not have any derivative financial liabilities.

Recent Accounting Pronouncements

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2021 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statements.

3. EXPLORATION AND EVALUATION ASSETS

In March 2017, the Company entered into an option agreement to acquire an undivided 100% interest in certain mineral claims located in Kamloops, B.C. (the "Riverside Property"). Expenditures related to exploration and evaluation assets are as follows:

	Riverside Property
	\$
Balance as at December 31, 2019	328,066
Property acquisition costs	3,500
Balance as at December 31, 2020	331,566
Property acquisition costs	3,500
Balance as at December 31, 2021	335,066

NORTHERN LION GOLD CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

3. EXPLORATION AND EVALUATION ASSETS - continued

In order to exercise the option, the Company must:

- Pay \$70,000 cash to the optionor as follows: \$20,000 upon execution (paid); and an additional \$50,000 on or before March 9, 2018;
- Issue 400,000 common shares (issued) at a value of \$196,000 of the Company to the optionor;
- Incur exploration expenditures of \$75,000 (incurred) on the Riverside Property within six months following exchange acceptance, which expenditures constitute a binding obligation on the part of the Company.

From February 2018 to March 2022 (Note 12), the Company entered into several amendment agreements with the optionor to amend the payment terms of the \$50,000 payment originally due on March 9, 2018 as follows:

- \$6,500 payable on February 27, 2018 (paid);
- \$6,500 payable on April 5, 2019 (paid);
- \$3,500 payable on March 5, 2020 (paid);
- \$3,500 payable on March 4, 2021 (paid);
- \$3,500 payable on March 7, 2022 (paid subsequently);
- the remaining \$26,500 on or before March 4, 2023.

4. EQUIPMENT

	Computer equipment
	\$
Cost	
Balance, December 31, 2019, 2020, and 2021	36,897
Accumulated depreciation	
Balance, December 31, 2019	36,270
Depreciation for the year	188
Balance, December 31, 2020	36,458
Depreciation for the year	132
Balance, December 31, 2021	36,590
Carrying amounts	
As at December 31, 2020	439
As at December 31, 2021	307

5. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

Summary of key management personnel compensation (includes officers and directors of the Company):

	For the years ended December 31,	
	2021	2020
	\$	\$
Management fees	120,000	90,000

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5. RELATED PARTY TRANSACTIONS - continued

As at December 31, 2021, amounts owing to related parties (including key management personnel) total \$485,000 (2020 - \$315,000) and amounts owing by a related party total \$4,108 (2020 - \$nil).

6. SHARE CAPITAL AND RESERVES

Authorized Share Capital

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

Issued Shares

During the year ended December 31, 2021:

The Company issued 4,930,000 common shares in connection with the exercise of 4,930,000 warrants with an exercise price of \$0.20 for total proceeds of \$986,000, of which \$939,000 was recorded as subscriptions receivable. The funds were received subsequent to year end.

During the year ended December 31, 2020:

The Company issued 20,000 common shares in connection with the exercise of 20,000 warrants with an exercise price of \$0.20 for total proceeds of \$4,000.

Stock Options

The Company has a Stock Option Plan whereby the maximum number of common shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX-V). Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within one year of termination of employment, consulting arrangement or holding office as a director or officer of the Company, are subject to vesting provisions as determined by the Board and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

As at December 31, 2021 and 2020, there were no stock options outstanding.

Warrants

During the year ended December 31, 2021, 50,000 warrants expired unexercised.

A summary of warrant activity is as follows:

	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
		\$
Outstanding at December 31, 2019	5,000,000	0.20
Exercised	<u>(20,000)</u>	0.20
Outstanding at December 31, 2020	4,980,000	0.20
Exercised	(4,930,000)	0.20
Expired	<u>(50,000)</u>	0.20
Outstanding at December 31, 2021	<u><u>-</u></u>	-

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7. LOSS PER 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 \$190,527 (2020 – \$176,707) and a weighted average number of common shares outstanding of 8,696,107 (2020 – 8,671,835).

8. MANAGEMENT OF CAPITAL

The Company's capital structure consists of items in equity (deficiency). The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

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

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has liquidity risk as it has historically relied upon equity financings and related party loans to satisfy its capital requirements and will continue to depend heavily upon equity capital and possible loans to finance its activities. The Company manages liquidity risk through its capital management as outlined in Note 8. Accounts payable and accrued liabilities are due within one year.

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

The majority of the Company's cash is held with major Canadian based financial institutions. Receivables mainly consist of refundable GST from the Government of Canada.

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

Currency Risk

The Company operates in Canada and the Republic of Cyprus and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities. The Company's cash, receivables, and accounts payable and accrued liabilities are held in several currencies and therefore are subject to fluctuations against the Canadian dollar. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Commodity Price Risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of gold and other base metals. The Company monitors these metal prices to determine the appropriate course of action to be taken.

Financial Assets

The estimated fair values of financial assets approximate their carrying values due to the short-term nature of these instruments. The Company's financial assets were held in the following currencies:

Stated in Canadian Dollars				
As at December 31, 2021				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Cash	58,447	(3)	6,483	64,927
Subscriptions receivable	939,000	-	-	939,000
Receivables	4,313	-	-	4,313

Stated in Canadian Dollars				
As at December 31, 2020				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Cash	23,391	(8)	9,693	33,076
Receivables	140	-	-	140

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Financial Liabilities

The estimated fair values of financial liabilities approximate their carrying values due to the short-term nature of these instruments. The Company's financial liabilities were held in the following currencies:

Stated in Canadian Dollars				
As at December 31, 2021				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Accounts payable	58,229	-	37,488	95,717
Due to related parties	485,000	-	-	485,000

Stated in Canadian Dollars				
As at December 31, 2020				
Carrying Value	Canadian Dollar	US Dollar	European Euro	Total
Accounts payable	62,255	49	20,277	82,581
Due to related parties	315,000	-	-	315,000

10. SEGMENTED INFORMATION

The Company operates in one business segment, the exploration of mineral properties. Geographic information is as follows:

	Canada	Republic of Cyprus	Total
December 31, 2021	\$	\$	\$
Equipment	307	-	307
Exploration and evaluation assets	335,066	-	335,066
Other assets	1,004,181	6,483	1,010,664
Total assets	1,339,554	6,483	1,346,037

	Canada	Republic of Cyprus	Total
December 31, 2020	\$	\$	\$
Equipment	439	-	439
Exploration and evaluation assets	331,566	-	331,566
Other assets	25,730	9,693	35,423
Total assets	357,735	9,693	367,428

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11. INCOME TAXES

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

	2021	2020
	\$	\$
Loss for the year	(190,527)	(176,707)
Expected income tax (recovery)	(51,000)	(48,000)
Change in statutory and foreign tax rates, foreign exchange rate and other	3,000	1,000
Expiry of non-capital losses	2,000	4,000
Change in unrecognized deductible temporary differences	46,000	43,000
Total income tax (recovery)	-	-

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

	2021	2020
	\$	\$
Deferred Tax Assets		
Exploration and evaluation assets	132,000	132,000
Property and equipment	29,000	29,000
Allowable capital losses	1,979,000	1,979,000
Non-capital losses available for future periods	1,859,000	1,813,000
	3,999,000	3,953,000
Unrecognized deferred tax assets	(3,999,000)	(3,953,000)
Net deferred tax assets	-	-

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

	2021	Expiry Date Range	2020	Expiry Date Range
	\$		\$	
Exploration and evaluation assets	1,403,000	No expiry date	1,403,000	No expiry date
Capital assets	109,000	No expiry date	109,000	No expiry date
Allowable capital losses	7,331,000	No expiry date	7,331,000	No expiry date
Investment tax credit	2,000	2022 to 2041	2,000	2021 to 2040
Non-capital losses available for future periods				
Canada	6,846,000	2027 - 2041	6,677,000	2026 - 2040
Cyprus	85,000	2022 - 2026	83,000	2021 - 2025
Net deferred tax assets	15,776,000		15,605,000	

12. SUBSEQUENT EVENT

In March 2022, the Company entered into an amendment agreement (Note 3) with the Riverside Property's optionor to amend the payment terms of the \$30,000 payment originally due on March 4, 2022 as follows:

- \$3,500 payable on March 7, 2022 (paid subsequently);
- the remaining \$26,500 on or before March 4, 2023.