



**Unaudited Condensed Interim
Consolidated Financial Statements
September 30, 2021**

STAR DIAMOND CORPORATION
Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended
September 30, 2021

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Star Diamond Corporation for the three and nine months ended September 30, 2021. The Corporation's external auditors have not reviewed these condensed interim consolidated financial statements.

Star Diamond Corporation
Condensed Consolidated Statements of Financial Position
(unaudited)

(Cdn\$ in thousands)	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,336	\$ 4,774
Receivables	135	142
Prepays	147	36
	<u>2,618</u>	<u>4,952</u>
Restricted cash (note 6)	622	622
Investment in Wescan Goldfields Inc. (note 7)	377	377
Property and equipment	270	338
Exploration and evaluation assets (note 8)	66,344	66,344
	<u>\$ 70,231</u>	<u>\$ 72,633</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,403	\$ 693
Current portion of lease liability	78	75
Current portion of environmental rehabilitation provision	-	192
	<u>1,481</u>	<u>960</u>
Lease liability	59	117
Environmental rehabilitation provision	124	215
Contingent consideration	940	940
Shareholders' equity:		
Share capital	849,972	849,162
Warrants	1,194	371
Broker warrants	253	176
Contributed surplus	34,629	33,954
Accumulated deficit	(818,421)	(813,262)
	<u>67,627</u>	<u>70,401</u>
	<u>\$ 70,231</u>	<u>\$ 72,633</u>

See accompanying notes to consolidated financial statements

Star Diamond Corporation
Condensed Consolidated Statements of Loss and Comprehensive Loss
(unaudited)

(Cdn\$ in thousands, except for share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Income				
Interest and other income	\$ 22	\$ 22	\$ 36	\$ 72
Expenses				
Administration	362	711	1,470	1,416
Consulting and professional fees	318	461	1,345	1,741
Corporate development	19	37	48	115
Exploration and evaluation (note 9)	1,225	633	2,323	1,150
	<u>1,924</u>	<u>1,842</u>	<u>5,186</u>	<u>4,422</u>
Loss before the under noted items	(1,902)	(1,820)	(5,150)	(4,350)
Unwinding of discount of environmental reclamation provision	-	(1)	(3)	(2)
Unwinding of discount of lease liability	(1)	(3)	(6)	(9)
Investment in Wescan Goldfields Inc. (note 7)	(116)	145	-	203
Net and comprehensive loss for the period	<u>(2,019)</u>	<u>(1,679)</u>	<u>(5,159)</u>	<u>(4,158)</u>
Net loss per share				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding (000's)	452,804	430,922	451,717	429,703

See accompanying notes to consolidated financial statements

Star Diamond Corporation
Condensed Consolidated Statements of Cash Flows
(unaudited)

(Cdn\$ in thousands)	Nine Months Ended September 30,	
	2021	2020
Cash provided by (used in):		
Operations:		
Net loss	\$ (5,159)	\$ (4,158)
Adjustments:		
Depreciation on property and equipment	72	78
Loss (gain) on disposal of property and equipment	1	3
Investment in Wescan Goldfields Inc.	-	(203)
Fair value of share-based payments expensed	451	623
Unwinding of discount and changes to environmental rehabilitation provision	(283)	2
Unwinding of discount and changes to lease liability	7	8
Net change in non-cash operating working capital items:		
Receivables	7	(11)
Prepays	(111)	(47)
Accounts payable and accrued liabilities	710	(30)
	(4,305)	(3,735)
Investing:		
Purchases of property and equipment	(5)	-
	(5)	-
Financing:		
Issuances of equity through financings (net of issue costs)	1,758	1,003
Issuances of equity from option, warrant and broker warrant exercised	176	-
Lease liability	(62)	(55)
	1,872	948
Increase (decrease) in cash and cash equivalents	(2,438)	(2,787)
Cash and cash equivalents, beginning of period	4,774	7,948
Cash and cash equivalents, end of period	\$ 2,336	\$ 5,161
Cash and cash equivalents consists of:		
Cash	\$ 2,336	\$ 5,161
Treasury bills	-	-
	\$ 2,336	\$ 5,161

See accompanying notes to consolidated financial statements

Star Diamond Corporation
Condensed Consolidated Statements of Changes in Equity
(unaudited)

(Cdn\$ in thousands)	Nine Months Ended September 30,		Year Ended December 31,
	2021	2020	2020
Share capital			
Balance, beginning of period	\$ 849,162	\$ 846,887	\$ 846,887
Shares issued (note 10)	810	1,476	2,275
Balance, end of period	<u>\$ 849,972</u>	<u>\$ 848,363</u>	<u>\$ 849,162</u>
Warrants			
Balance, beginning of period	\$ 371	\$ 224	\$ 224
Issued (note 10)	1,047	-	147
Expired	(224)	-	-
Balance, end of period	<u>\$ 1,194</u>	<u>\$ 224</u>	<u>\$ 371</u>
Broker warrants			
Balance, beginning of period	\$ 176	\$ 157	\$ 157
Issued (note 10)	77	-	19
Balance, end of period	<u>\$ 253</u>	<u>\$ 157</u>	<u>\$ 176</u>
Contributed surplus			
Balance, beginning of period	\$ 33,954	\$ 33,685	\$ 33,685
Share-based payments - options (note 11)	196	451	477
Share-based payments - deferred share units (note 11)	46	45	45
Share-based payments - restricted share units (note 11)	209	127	220
Options exercised (note 11)	-	(440)	(440)
Warrants expired	224	-	-
Deferred share unit redemptions	-	(33)	(33)
Balance, end of period	<u>\$ 34,629</u>	<u>\$ 33,835</u>	<u>\$ 33,954</u>
Accumulated deficit			
Balance, beginning of period	\$ (813,262)	\$ (807,133)	\$ (807,133)
Loss for the period	(5,159)	(4,158)	(6,129)
Balance, end of period	<u>\$ (818,421)</u>	<u>\$ (811,291)</u>	<u>\$ (813,262)</u>
Total equity	<u>\$ 67,627</u>	<u>\$ 71,288</u>	<u>\$ 70,401</u>

See accompanying notes to consolidated financial statements

STAR DIAMOND CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(In thousands of Canadian dollars except as otherwise noted)

1. Corporate Information

Star Diamond Corporation (the “Company”) was incorporated under the Canada Business Corporations Act on April 29, 1985 and its shares are publicly traded on the Toronto Stock Exchange. The principal activities of the Company are the exploration, development and production of diamonds. The Company is located at 600 – 224 4th Avenue South, Saskatoon, Saskatchewan, Canada.

2. Basis of preparation

The condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2021 were authorized for issue by the Company’s Audit Committee on November 10, 2021. The condensed interim consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The Company’s financial statements have been prepared on a historical cost basis, except as disclosed, using the Company’s functional currency of Canadian dollars.

In preparing the financial statements for the period ended September 30, 2021, significant judgments and estimations have been made by management in applying the Company’s accounting policies. In particular, the significant areas of judgment and estimation uncertainty considered by management in preparing the consolidated financial statements are: identification of cash generating units, exploration and evaluation expenditures, reserve and resource estimation, asset valuations and assessments for impairment, estimations for environmental rehabilitation provisions, contingent consideration and share-based payment transactions. These are discussed in more detail in note 5 of the Company’s consolidated financial statements for the year ended December 31, 2020.

3. Going Concern

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company’s ability to continue as a going concern. At September 30, 2021, the Company had working capital of \$1.1 million and cash of \$2.3 million (excluding restricted cash), of which \$1.5 million is committed to be spent on qualifying expenditures to satisfy flow-through share requirements. Given that cashflows from operations are negative, the ability of the Company to continue as a going concern and fund general and administrative expenses in an orderly manner will require further equity issues or other forms of financings in the near and longer term.

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus known as COVID-19. The duration and magnitude of the impact on the economy and equity markets are not known at this time. An extended disruption to equity markets may affect the Company’s ability to obtain additional financing. There is no assurance that the Company will be successful in obtaining required financing at an acceptable cost as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration and/or evaluation plans, forfeit rights in its properties or reduce or terminate its operations.

These financial statements do not include any adjustments to carrying values of assets and liabilities, reported expense and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate.

4. Summary of significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those disclosed in note 4 of the Company's consolidated financial statements for the year ended December 31, 2020, except as noted below. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

5. IFRS standards, amendments and interpretations

a. New IFRS standards, amendments and interpretations effective during the period

At the date of authorization of these consolidated financial statements, the IASB has not issued any new standards which became effective for the reporting period that would have a material impact on the Company.

b. New IFRS standards issued but not yet effective

i. IAS 16 – Property, Plant and Equipment

On May 14, 2020, the IASB issued an amendment to IAS 16 Property, Plant and Equipment to prohibit deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items, and the cost of producing those items are to be recognized in profit and loss. The amendments are effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The amendment is to be applied retrospectively only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the earliest period presented in the financial statements in the year in which the amendments are first applied. The Company is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

ii. IAS 37 – Provisions, contingent Liabilities and Contingent Assets

On May 14, 2020, the IASB issued an amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendment specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to the contract can either be incremental costs of fulfilling the contract or an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which the Company has not yet fulfilled all its obligations on or after January 1, 2022 with early adoption permitted. The Company is currently assessing the financial impact of the amendment and expects to apply the amendment at the effective date.

At the date of authorization of these consolidated financial statements, there are no IFRSs or IFRIC interpretations that have been issued and are not yet effective that are expected to have a material impact on the Company.

6. Restricted Cash

At September 30, 2021, the Company has pledged \$622 thousand (December 31, 2020 – \$622 thousand) in short-term investments as security for letters of credit provided, which relate to the provision for decommissioning and rehabilitation. These short-term investments are recorded as restricted cash.

7. Investment in Wescan Goldfields Inc.

At September 30, 2021, the Company held 5,807 thousand shares or 12.9% (December 31, 2020 – 5,807 thousand shares or 12.9%) of Wescan Goldfields Inc. ("Wescan"), a publicly traded company on the TSX Venture exchange. The Company considers certain judgments and assumptions when assessing whether significant influence exists over its investments. This includes an assessment of the Company's ability to

participate in financial and operating policy decisions of the investee. The existence and effect of potential voting rights held by the investor or other entities were also considered.

IFRS 9 requires all equity investments to be measured at fair value. Changes in fair value are recognized in profit or loss ("FVPL") based on the company's accounting policy. At September 30, 2021, the carrying value of this investment was \$377 thousand (December 31, 2020 – \$377 thousand).

8. Exploration and evaluation assets

As of September 30, 2021, the Company holds a 100% interest in the Fort à la Corne properties located in the central part of Saskatchewan, Canada. These properties are accounted for as one cash generating unit. The carrying value of the Fort à la Corne properties represents the acquisition of minority interests of the Fort à la Corne properties since 2005, net of impairments. As a result, the carrying value of the Fort à la Corne properties, including the Company's Star – Orion South Diamond Project ("Project"), is determined to be \$66,344 thousand (2020 – \$66,344 thousand).

During 2017, the Company acquired (the "Newmont Acquisition") from Newmont Corporation ("Newmont") all of Newmont's participating interest in the Fort à la Corne joint venture (the "FaLC JV"), resulting in the Company owning 100% of the Fort à la Corne properties, and concurrently entered into an Option to Joint Venture Agreement (the "Option Agreement") with Rio Tinto Exploration Canada Inc. ("Rio Tinto"), a wholly-owned subsidiary of Rio Tinto plc, pursuant to which the Company has granted Rio Tinto an option to earn up to a 60% interest in the Fort à la Corne properties on the terms and conditions contained in the Option Agreement.

In November 2019, the Company received notice (the "Exercise Notice") from Rio Tinto advising that Rio Tinto was exercising all four of its options under the Option Agreement. Following a review of the Exercise Notice, the Company notified Rio Tinto that Rio Tinto's purported exercise in November 2019 of its four options under the Option Agreement did not comply with the terms of the Agreement. The Company has commenced legal proceedings against Rio Tinto in relation to Rio Tinto's purported exercise. As at September 30, 2021 management's assessment of the purported exercise remains unchanged. Management exercises judgment in making this assessment.

As part of the Newmont Acquisition, the Company agreed that Newmont will receive a contingent payment in the aggregate amount of \$3,200 thousand if a positive decision is made to develop a mine on the Project. The Company, in its sole discretion (subject to regulatory approvals), may satisfy the contingent payment due to Newmont through a cash payment or the issuance of common shares. An estimate of the discounted present value of this contingent consideration was determined to be \$940 thousand (December 31, 2020 - \$940 thousand).

9. Exploration and evaluation expense

The Company's exploration and evaluation expense for the nine months ended September 30, is comprised of the following:

	September 30, 2021	September 30, 2020
Fort à la Corne properties		
Amortization of tangible assets	\$ 4	\$ 6
Exploration and evaluation	2,285	964
Share-based payments	28	174
Buffalo Hills property		
Exploration and evaluation	6	6
Total	\$ 2,323	\$1,150

10. Share capital and reserves

Authorized

The authorized share capital of the Company consists of unlimited common shares with no par value.

The common shares of the Company are entitled to dividends pro-rated when declared by the Board of Directors and to one vote per share at meetings of the shareholders of the Company. Upon dissolution or any other distribution of assets, the shareholders are entitled to receive a pro-rata share of such distribution.

Common shares issued and fully paid:

	Common Shares (in thousands)	Amount (in thousands)
Balance – December 31, 2020	438,671	\$ 849,162
Issuance of shares (net of issue costs and warrants) (a)	13,333	634
Issuance of finders fee shares (b)	800	176
Balance – September 30, 2021	452,804	\$ 849,972

(a) Unit financing

During the quarter ended March 31, 2021, the Company issued 13,333 thousand common shares for gross proceeds of \$2,000 thousand.

(b) Issuance of finder shares

During the quarter ended March 31, 2021, the Company issued 800 thousand common shares pursuant to a finder agreement.

(c) Nature and purpose of equity reserves

Share-based payments reserve

The share-based payments reserve is recognized within contributed surplus and is used to recognize the fair value of equity-settled share-based payment transactions provided to employees, including key management personnel, as part of their remuneration. The fair value of stock options has been valued using the Black-Scholes option-pricing model. Refer to note 11 for further details on these share-based payment plans.

Broker warrants reserve

On certain issues of common shares, the Company issued broker warrants as partial consideration to the agent for services associated with the share issuance. Each broker warrant entitles the agent to acquire one common share of the company for a period of 12 to 24 months after closing. The broker warrant reserve is used to recognize the fair value of outstanding warrants. If the broker warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. A summary of the outstanding broker warrants is as follows:

	Broker Warrants (in thousands)	Average Price	Expiry Date	Amount (in thousands)
Balance - December 31, 2020	1,188	\$ 0.31		\$ 176
Issued (a)	800	0.19	January 21, 2023	77
Balance – September 30, 2021	1,988	\$ 0.26		\$ 253

- (a) During the quarter ended March 31, 2021, 800 thousand broker warrants were issued pursuant to a finder agreement in connection to the flow-through share financing. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of \$0.19 for a period of 24 months from the date of issuance. The broker warrants issued were fair valued at \$77 thousand. The fair value was determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 73.0%, risk-free rate of return of 0.17%, expected dividend of 0%, and expected term of 24 months.

Warrant reserve

On certain issues of common shares, the Company has issued warrants with the common shares entitling the holder to acquire additional common shares of the Company. The warrant reserve is used to recognize the fair value of outstanding warrants. If the warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. A summary of the outstanding warrants is as follows:

	Warrants (in thousands)	Average Price	Amount (in thousands)
Balance – December 31, 2020	3,883	\$ 0.28	\$ 371
Issued (a)	13,333	0.25	1,047
Expired	(1,105)	0.35	(224)
Balance – September 30, 2021	16,111	\$ 0.25	\$ 1,194

- (a) During the quarter ended March 31, 2021, 13,333 thousand warrants were issued in connection to a share financing. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.25 for a period of 24 months from the date of issuance. The warrants issued were fair valued at \$1,047 thousand. The fair value was determined using the Black-Scholes pricing model with the following assumptions: a volatility factor of 73.0%, risk-free rate of return of 0.17%, expected dividend of 0%, and expected term of 24 months.

11. Share-based payments

(a) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers, employees and service providers to purchase common shares of the Company. Options granted have an exercise price of not less than the closing price quoted on the Toronto Stock Exchange for the common shares of the Company on the trading day prior to the date on which the option is granted. Certain options vest immediately while others vest six to twelve months after grant date and all options granted under the plan expire five years from the date of the grant of the options. All options are to be settled by physical delivery of shares. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Deferred Share Unit Plan and the Company's Performance Share Unit and Restricted Share Unit Plan.

Option movements (in thousands) during the nine months ended September 30, including weighted average exercise prices, are as follows:

	2021		2020	
	Options	Average Price	Options	Average Price
Outstanding – January 1	19,861	\$ 0.21	18,554	\$ 0.20
Granted	1,958	0.215	4,872	0.23
Exercised	-	-	(3,498)	0.21
Expired	(177)	0.20	(67)	0.18
Outstanding – September 30	21,642	\$ 0.21	19,861	\$ 0.21
Exercisable – September 30	21,642	\$ 0.21	19,359	\$ 0.20

Options outstanding at September 30, 2021 have an exercise price in the range of \$0.19 to \$0.245 (2020 – \$0.19 to \$0.245) and a weighted average contractual life of 2.7 years (2020 – 3.4 years). The expense related to the Company's share-based payments as a result of certain options vesting over the period is recognized in the comprehensive statement of loss for the nine months ended September 30, is as follows:

Expense Category included	September 30, 2021	September 30, 2020
Administration	\$ 191	\$ 311
Exploration and evaluation	5	140
Total	\$ 196	\$ 451

The grant date fair value of stock options issued under the plan is estimated using the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The option life is estimated based on the weighted average historical life of options that have been granted by the Company. The inputs used in the measurement of the fair values at grant date of the share-based payments during the nine months ended September 30 are as follows:

	September 30, 2021	September 30, 2020
Share price at grant date	\$ 0.215	\$ 0.225 - 0.245
Exercise price	\$ 0.215	\$ 0.225 - 0.245
Expected volatility	74.3%	72.4 - 73.0%
Estimated option life	2.5 years	2.5 – 2.8 years
Expected dividends	0 %	0 %
Expected forfeiture rate	0 %	0 %
Risk-free interest rate	0.17 %	0.29 - 0.30 %
Fair value at grant date	\$ 0.10	\$ 0.10 - 0.11

(b) Deferred share unit plan

The Company has established a deferred share unit plan (the "DSU Plan"), which provides for the grant of deferred share units ("DSUs") to eligible directors of the Company. The DSUs provide for the cash payment of certain amounts, or the issuance of common shares, to eligible directors. The Company does not intend to make cash payments and there is no history of the Company making cash payments under the DSU plan and, as such, the DSUs are accounted for within shareholders' equity. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Performance Share Unit and Restricted Share Unit Plan and the Company's Share Option Plan. As these DSUs are expected to be settled with equity, an amount equal to the stock-based compensation expense is initially credited to contributed surplus and transferred to share capital if and when the deferred share unit is redeemed. DSUs vest immediately. DSUs outstanding at September 30, 2021 are 744 thousand (2020 – 537 thousand).

During the nine months ended September 30, 2021, 207 thousand DSUs were granted (2020 – 180 thousand). No DSUs were redeemed for common shares from treasury (2020 – 149 thousand) The expense related to the Company's share-based payments as a result of DSUs vesting over the nine months ended September 30, 2021 was \$46 thousand (2020 - \$45).

(c) Performance share unit and restricted share unit plan

The Company has established a performance share unit and restricted share unit plan (the "Unit Plan"), which provides for the grant of performance share units ("PSUs") and restricted share units ("RSUs") to eligible officers and employees of the Company. Upon redemption, the vested PSUs and/or the RSUs provide for the cash payment of certain amounts, or the issuance of common shares, to the participants. The Company does not intend to make cash payments and there is no history of the Company making cash payments under the Unit plan and, as such, the PSUs and RSUs are accounted for within shareholders' equity. These common shares would be issued from the same 10% rolling pool as the common shares issued under the Company's Deferred Share Unit Plan and the Company's Share Option Plan. As PSUs and RSUs are expected to be settled with equity, an amount equal to compensation expense is initially credited to contributed surplus, recognized over the term of the vesting period, and transferred to share capital if and when the units are exercised. RSUs vest in three tranches, with all RSUs vesting no later than the third anniversary from the date of grant.

During the nine months ended September 30, 2021, 651 thousand RSUs were granted (2020 – 1,676 thousand). No RSUs were forfeited prior to vesting (2020 – 400 thousand). RSUs outstanding at September 30, 2021 are 4,532 thousand (2020 – 3,881 thousand).

The expense related to the Company's share-based payments as a result of RSUs vesting over the period is recognized in the comprehensive statement of loss for the nine months ended September 30 is as follows:

Expense category included	September 30, 2021	September 30, 2020
Administration	\$ 186	\$ 93
Exploration and evaluation	23	34
Total	\$ 209	\$ 127

12. Related party transactions

Related party transactions with key management personnel

The Company pays certain of its key management personnel through companies owned by certain executive officers and directors. During the nine months ended September 30, 2021, those companies were as follows:

MacNeill Brothers Oil and Gas Ltd.

Compensation of key management personnel and directors, including payments made or payable to related parties owned by executive officers and directors during the nine months ended September 30, is as follows:

	September 30, 2021	September 30, 2020
Short-term benefits to key management and directors	\$ 244	\$ 205
Consulting and management fees to related companies	184	322
Share based payments	315	521
Total compensation paid to key management personnel and directors	\$ 743	\$ 1,048

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period related to key management personnel. The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The fair value of share-based payments was determined using the Black-Scholes model. The fair value of share-based payments in the form of RSUs and DSUs was determined based on the five-day volume weighted average trading price of the Company's shares preceding the date of grant. During the quarter ended September 30, 2020, compensation to Mr. George Read, as an executive officer to the Company, was paid through a company controlled by Mr. Read (George Read Consulting Inc.). During the fourth quarter of 2020, the Company announced that Mr. Read had assumed the title of Senior Technical Advisor to the Company. Mr. Read will continue to fully support the Company with his considerable expertise and will continue to prepare technical information for the Company as a "Qualified Person" under the definition of NI 43-101.

The compensation paid or payable to key management personnel and directors is included in the Company's statement of loss and comprehensive loss during the nine months ended September 30 is as follows:

	September 30, 2021	September 30, 2020
Administration	\$ 743	\$ 797
Exploration and evaluation	-	251
Total compensation paid to key management personnel and directors	\$ 743	\$ 1,048

13. Financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy for financial instruments that require fair value measurement after initial recognition. The classification of each financial instrument is described in note 4 of the Company's consolidated financial statements for the year ended December 31, 2020.

The carrying amounts for cash and cash equivalents, short-term investments, receivables, restricted cash and trade payables approximate their fair value due to the short-term nature of these instruments. These financial instruments are carried at amortized costs.

All financial instruments measured at fair value are categorized into one of three hierarchy levels as described in note 20 of the Company's consolidated financial statements for the year ended December 31, 2020. These financial instruments include the Company's investment in Wescan (level 1) and the contingent consideration (level 3).

Risk management

Certain financial instruments are exposed to the following financial risks:

(a) Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company considers this risk to be insignificant as the majority of the Company's cash and cash equivalents, short-term investments, and restricted cash are held by financial institutions with an A (low) credit rating or are invested in Government of Canada treasury bills which are backed by the Government of Canada. As at September 30, 2021, the Company's credit risk relates to its cash and cash equivalents, receivables and restricted cash of \$3,093 thousand (December 31, 2020 – \$5,538 thousand).

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to forecast future cash flows to help assess whether it will have sufficient liquidity to meet its obligations when due. To assist with this process, the Company prepares annual capital and operating budgets which are regularly monitored and updated as considered necessary. As at September 30, 2021, the Company had working capital of \$1.1 million and cash of \$2.3 million (excluding restricted cash) and is required to incur \$1.5 million of qualifying expenditures as a result of previous flow-through share financings. Due to the global COVID-19 pandemic, the Government of Canada enacted legislation to extend the expenditure period for incurring qualifying expenditures (to fulfill obligations under flow-through financing commitments) by one year. As a result, as at September 30, 2021, \$0.5 million of qualifying expenditures is to be incurred by December 31, 2021 and \$1.0 million of qualifying expenditures is to be incurred by December 31, 2022. The Company continues to monitor for other COVID-19 related proposals, to assess the impact these may have on the Company and the Company's flow-through commitments.

As at September 30, 2021, the Company had guaranteed certain liabilities by issuing \$622 thousand (December 31, 2020 – \$622 thousand) of irrevocable standby letters of credit. The Company backs the letters of credit with investments which have been recorded on the financial statements as restricted cash. The Company does not include restricted cash in its working capital when analyzing its liquidity requirements. These guarantees relate to environmental rehabilitation provisions.

The further exploration, evaluation and/or development of exploration and evaluation properties in which the Company holds interests or which the Company acquires may depend upon the Company's ability to obtain financing through equity issues or other forms of financing. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration, evaluation and/or development of its projects with the possible loss of such properties.

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity price risk and equity price risk. As at September 30, 2021, the Company does not have significant exposure to any of these market risks.