



NORTHERNSHIELD
RESOURCES INC.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements

(unaudited and expressed in Canadian Dollars)

For the three and nine-month periods ended September 30, 2021, and 2020

[Note: an auditor has not reviewed these unaudited interim financial statements]



Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

	<u>PAGE</u>
Consolidated Statements of Financial Position	1
Consolidated Statements of Comprehensive Loss	2
Consolidated Statements of Changes in Equity	3
Consolidated Statements of Cash Flows	4
Notes to the Consolidated Financial Statements	5 - 17



NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statements of Financial Position
as at September 30, 2021 and December 31, 2020
(unaudited and expressed in Canadian Dollars)

	September 30,	December 31,
<i>As at</i>	2021	2020
	(unaudited)	(unaudited)
CURRENT ASSETS		
Cash	\$ 632,811	\$ 1,782,185
Amounts receivable	17,203	55,502
Subscriptions receivable	128,000	80,000
Prepaid expenses	227,851	33,301
	1,005,865	1,950,988
INVESTMENT IN SHARES	833	833
MINERAL PROPERTIES (Note 3)	4,506,202	3,456,228
PROPERTY AND EQUIPMENT (Notes 4 & 5)	64,023	89,667
	\$ 5,576,923	\$ 5,497,716
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 190,945	\$ 295,499
Current portion of lease obligation (Note 5)	-	24,612
Deferred flow-through premium liability (Note 6)	102,007	164,053
	292,952	484,164
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	32,451,978	31,842,992
Reserves	4,535,972	4,504,964
Deficit	(31,703,979)	(31,334,404)
	5,283,971	5,013,552
	\$ 5,576,923	\$ 5,497,716

Nature of operations and going concern (Note 1)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

APPROVED BY THE BOARD

/s/ Ian C. Bliss
Director

/s/ Russell M. Richards
Director



NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statements of Comprehensive Loss
for the three and nine-month periods ended September 30, 2021 and 2020
(unaudited and expressed in Canadian Dollars)

	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
	(3 months) (Unaudited)	(3 months) (Unaudited)	(9 months) (Unaudited)	(9 months) (Unaudited)
Expenses				
Expensed exploration (Note 9)	\$ 147	\$ 23,614	\$ 6,885	\$ 24,776
General and administrative (Note 9)	139,866	216,796	506,715	690,394
Stock-based compensation (Note 7)	-	-	-	51,800
Loss before other income (expenses)	(140,013)	(240,410)	(513,600)	(766,970)
Other income	-	82,606	144,025	240,968
Interest income	-	125	-	125
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (140,013)	\$ (157,679)	\$ (369,575)	\$ (525,877)
Weighted average common shares outstanding	280,752,843	263,169,237	280,117,390	254,323,704
Basic and diluted loss per share (Note 8)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



NORTHERN SHIELD RESOURCES INC.

(An Exploration Stage Company)

Condensed Interim Statements of Changes in Equity
for the nine-month periods ended September 30, 2021 and 2020

(unaudited and expressed in Canadian dollars)

	Share Capital		Reserves		Deficit	Total
	Number of Shares	Amount	Share-based Payments	Warrants		
Balance at January 1, 2020	251,390,921	\$ 28,689,169	\$ 4,411,623	\$ 33,608	\$ (30,745,555)	\$ 2,388,845
Shares issued for property option	500,000	59,000	-	-	-	59,000
Shares issued for cash	13,271,795	1,592,000	-	-	-	1,592,000
Shares issued by flow-through placement	8,000,000	1,400,000	-	-	-	1,400,000
Shares issued upon exercise of warrantts	400,000	44,000	-	-	-	44,000
Flow-through premium liability	-	(120,000)	-	-	-	(120,000)
Share issue costs	-	(45,458)	-	7,933	-	(37,525)
Share-based compensation	-	-	51,800	-	-	51,800
Loss for the period	-	-	-	-	(525,877)	(525,877)
Balance at September 30, 2020	273,562,716	31,618,711	4,463,423	41,541	(31,271,432)	4,852,243
Shares issued for property option	500,000	32,500	-	-	-	32,500
Shares issued for cash	4,125,000	330,000	-	-	-	330,000
Shares issued by flow-through placement	1,700,000	170,000	-	-	-	170,000
Flow-through premium liability	-	(274,000)	-	-	-	(274,000)
Share issue costs	-	(34,219)	-	-	-	(34,219)
Loss for the period	-	-	-	-	(62,972)	(62,972)
Balance at December 31, 2020	279,887,716	31,842,992	4,463,423	41,541	(31,334,404)	5,013,552
Shares issued for property option	400,000	32,000	-	-	-	32,000
Shares issued by flow-through placement	11,395,834	709,333	-	-	-	709,333
Flow-through premium liability	-	(81,979)	-	-	-	(81,979)
Allocation of value to warrants	-	(57,563)	-	57,563	-	-
Expiry of warrants	-	31,875	-	(31,875)	-	-
Share issue costs	-	(24,680)	-	5,320	-	(19,360)
Loss for the period	-	-	-	-	(369,575)	(369,575)
Balance at September 30, 2021	291,683,550	\$ 32,451,978	\$ 4,463,423	\$ 72,549	\$ (31,703,979)	\$ 5,283,971

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



NORTHERN SHIELD RESOURCES INC.
(An Exploration Stage Company)
Condensed Interim Statements of Cash Flows
for the nine-month periods ended September 30, 2021 and 2020
(unaudited and expressed in Canadian Dollars)

	September 30, 2021	September 30, 2020
	(9 months)	(9 months)
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS RELATED TO THE FOLLOWING ACTIVITIES:	(Unaudited)	(Unaudited)
OPERATING		
Net loss	\$ (369,575)	\$ (525,877)
Items not affecting cash		
Amortization - administrative	27,625	28,998
Stock-based compensation	-	51,800
Recognition of flow-through premium	(144,025)	(240,968)
Expensed exploration	6,885	24,776
Changes in non-cash operating working capital items:		
Amounts receivable	38,299	(184,990)
Prepaid expenses	(194,550)	49,074
Accounts payable and accrued liabilities	(86,056)	49,265
	(721,397)	(747,922)
CASH FLOW FROM INVESTING ACTIVITIES		
Expenditures on mineral properties	(1,067,366)	(1,507,708)
Acquisition of property & equipment	(7,972)	(8,602)
Government assistance	30,000	73,211
	(1,045,338)	(1,443,099)
CASH FLOW FROM FINANCING ACTIVITIES		
Issuance of share capital, net of issuance costs	641,973	2,942,474
Repayment of lease liabilities	(24,612)	(22,729)
	617,361	2,919,745
NET CASH AND CASH EQUIVALENTS INFLOW	(1,149,374)	728,724
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,782,185	1,244,626
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 632,811	\$ 1,973,350

The accompanying notes are an integral part of the condensed consolidated interim financial statements.



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Northern Shield Resources Inc. (the "Company" or "Northern Shield"), an exploration and evaluation stage company, incorporated under the *Canada Business Corporations Act*, is a natural resource company engaged in the business of identifying, acquiring, and exploring mineral properties located primarily in Eastern Canada.

The Company's head office is situated at Suite 500, 55 Metcalfe Street, Ottawa, Ontario. The Company's shares trade on the TSX Venture Exchange under the symbol NRN.

The Company has not yet determined whether any of their properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development of the properties, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

As Northern Shield does not have an interest in revenue-producing properties, the Company has no operating income or earnings and, as such, its net loss may not be a meaningful indicator of its performance or potential. Exploration activities and the Company's expenses are financed by the periodic issuance of common shares and other equity securities.

In March 2020 the World Health Organization declared coronavirus 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, economies, and financial markets globally, potentially leading to an economic downturn. Currently, 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, results of operations and the timing of proposed transactions.

Going concern

These consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. At September 30, 2021, the Company had accumulated losses of \$31,703,979. For the nine-month period then ended had incurred a loss of \$369,575 and negative operating cash flows of \$721,397.

These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern. The Company will need to raise additional financing. Should this financing not materialize and profitable operations ultimately not be attained, this may cast doubt as to the Company's ability to continue as a going concern. Actual realization values may be substantially different from carrying values as shown in the financial statements and the Company's ability to discharge its liabilities in the normal course of business may be in doubt should the Company be unable to continue as a going concern.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements (“Financial Statements”) have been prepared in accordance with IAS 34 Interim Financial Reporting and follow the same accounting policies and methods of computation as compared with the most recent annual consolidated financial statements, being for the year ended December 31, 2020, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Board of Directors authorized these Financial Statements for issue on November 29, 2021.

Basis of Preparation

These Financial Statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiary Seabourne Resources Inc. All intercompany balances and transactions are eliminated upon consolidation.

Use of Judgments and Estimates

In preparing these interim financial statements, management has made judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2020.

Significant Accounting Policies

Since policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 2 of the financial statements for the year ended December 31, 2020, they should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2020.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

3. MINERAL PROPERTIES

The following table summarizes the exploration expenditures incurred on each of the Company's mineral properties:

	QC <u>Idefix</u>	QC <u>Huckleberry</u>	NS <u>Shot Rock</u>	NL <u>Root&Cellar</u>	NL <u>Merasheen</u>	<u>Other</u>	<u>Total</u>
Percent Ownership	100%	100%	87.9%	0%	0%	100%	
At January 1, 2020	\$ 84,406	\$ 186,241	\$ 807,634	\$ 106,856	\$ -	\$ 57,738	\$ 1,242,875
Expenditures							
Acquisition	3,288	7,124	85,910	48,105	49,480	-	193,907
Exploration	2,763	5,500	1,697,718	352,319	98,101	24,776	2,181,177
Total Expenditures	6,051	12,624	1,783,628	400,424	147,581	24,776	2,375,084
Government assistance	-	-	(88,211)	-	-	-	(88,211)
Expensed current exploration	-	-	-	-	-	(24,776)	(24,776)
Property write-down	-	-	-	-	-	(48,744)	(48,744)
At December 31, 2020	\$ 90,457	\$ 198,865	\$ 2,503,051	\$ 507,280	\$ 147,581	\$ 8,994	\$ 3,456,228
Expenditures							
Acquisition	1,529	-	13,560	74,195	1,710	-	90,994
Exploration	4,574	600	680,365	234,583	68,858	6,885	995,865
Total Expenditures	6,103	600	693,925	308,778	70,568	6,885	1,086,859
Government assistance	-	-	(30,000)	-	-	-	(30,000)
Expensed current exploration	-	-	-	-	-	(6,885)	(6,885)
At September 30, 2021	\$ 96,560	\$ 199,465	\$ 3,166,976	\$ 816,058	\$ 218,149	\$ 8,994	\$ 4,506,202

The Company currently holds a 100% interest in the Idefix and Huckleberry properties.

Other properties consist of various claims in both Quebec and Nova Scotia.

Shot Rock

During the year ended December 31, 2017, the Company entered into a property exploration option agreement with a prospector that gives the Company the right to acquire up to an 80% interest in the Shot Rock property in Nova Scotia.

During the year ended December 31, 2019, the Company earned a 50% interest in the property by having made cash payments totaling \$50,000, issuing the prospector a total of 650,000 shares and by having incurred \$500,000 in expenditures on the property.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

3. MINERAL PROPERTIES (continued)

During the year ended December 31, 2020, the Company increased its interest to 80% by incurring an additional \$1,500,000 in expenditures, making an additional \$50,000 cash payment, and issuing an additional 500,000 shares to the prospector. Subsequent to satisfying these requirements, the Company incurred a further \$451,704 in exploration expenditures, increasing its interest to 85.5% as the prospector did not contribute to exploration.

Pursuant to the property option agreement and during the 9-month period ended September 30, 2021, the Company incurred a further \$693,925, increasing its interest further to 87.9% as the prospector did not contribute to exploration.

The prospector will retain a 1% net smelter returns royalty ("NSR") of which half (0.5%) can be bought back by the Company for \$1,000,000.

Root & Cellar

During the year ended December 31, 2019, the Company entered into a property exploration option agreement with a prospector that gives the Company the right to acquire up to an 100% interest in the Root & Cellar property in Newfoundland.

Under the terms of the agreement, the Company can earn a 100% interest in the property by incurring \$2,150,000 in expenditures on the property within four years. The agreement also contains cash payments totaling \$165,000 (of which, \$60,000 has been paid) and share issuances totaling 3,000,000 shares to the prospector over three installments during the initial two-year period (of which, 1,000,000 have been issued).

The prospector will retain a 2.5% NSR of which 1.0% can be bought back by the Company for \$1,500,000.

Merasheen

During the year ended December 31, 2020, the Company acquired two licences through staking and, through an option agreement, acquired the right to earn a 100% interest in an adjacent licence, known collectively as the Merasheen property in Newfoundland.

Under the terms of the agreement, the Company can earn a 100% interest in the license by incurring \$2,000,000 in expenditures within four years. The agreement also contains cash payments totalling \$115,000 (of which \$5,000 has been paid) and share issuances totalling 1,600,000 Company shares (of which 200,000 have been issued) to the vendor over the four-year period. The vendor will retain a 1.5% NSR of which 1% can be bought back by Northern Shield for \$2,000,000.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

4. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Field Equipment	Furniture/ Fixtures	Office Equipment	Right-of-Use	Software	Total
Cost						
January 1, 2020	\$ 208,582	\$ 29,980	\$ 138,667	\$ 83,490	\$ 45,658	\$ 506,377
Additions	7,630	-	972	-	-	8,602
December 31, 2020	216,212	29,980	139,639	83,490	45,658	514,979
Additions	7,972	-	-	-	-	7,972
September 30, 2021	\$ 224,184	\$ 29,980	\$ 139,639	\$ 83,490	\$ 45,658	\$ 522,951
Accumulated Amortization						
January 1, 2020	\$ (173,376)	\$ (26,744)	\$ (106,363)	\$ (30,360)	\$ (42,505)	\$ (379,348)
Amortization	(7,544)	(601)	(6,154)	(30,360)	(1,305)	(45,964)
December 31, 2020	(180,920)	(27,345)	(112,517)	(60,720)	(43,810)	(425,312)
Amortization	(5,991)	(376)	(3,869)	(22,770)	(610)	(33,616)
September 30, 2021	\$ (186,911)	\$ (27,721)	\$ (116,386)	\$ (83,490)	\$ (44,420)	\$ (458,928)
Carrying Values						
December 31, 2020	\$ 35,292	\$ 2,635	\$ 27,122	\$ 22,770	\$ 1,848	\$ 89,667
September 30, 2021	\$ 37,273	\$ 2,259	\$ 23,253	\$ -	\$ 1,238	\$ 64,023

Exploration-related asset amortization of \$5,991 was allocated to mineral properties during the nine-month period ended September 30, 2021 (2020 - \$5,686).

5. LEASES

Lease obligation (and right-of use assets – Note 4) comprised the Company's office space. At the commencement date of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 8%, which is the Company's incremental borrowing rate. The continuity of the lease obligation is presented in the table below:

Balance at January 1, 2020	\$ -
Additions	55,224
Interest expense	3,312
Lease Payments	(33,924)
Balance at December 31, 2020	24,612
Interest expense	831
Lease Payments	(25,443)
Balance at September 30, 2021	-

The lease expired on September 30, 2021.



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

6. DEFERRED FLOW-THROUGH PREMIUM LIABILITY

This amount represents the deferred flow-through premium liability recognized on flow-through share issuances that will be recorded as other income as the flow-through funds raised are expended on exploration.

The following is a continuity of the flow-through premium liability:

Balance at January 1, 2020	\$ 213,180
Additions to flow-through premium liability	394,000
Settlement of liability through qualified expenditures	(443,127)
Balance at December 31, 2020	164,053
Additions to flow-through premium liability	81,979
Settlement of liability through qualified expenditures	(144,025)
Balance at September 30, 2021	\$ 102,007

As at September 30, 2021, the Company is obligated to spend approximately \$791,802 on qualifying expenditures related to its flow-through shares issuances.

7. SHARE CAPITAL

Authorized and Issued

An unlimited number of voting common shares are authorized for issue and, subject to priority rights of other share classes, are entitled to receive dividends when and if declared by the Board of Directors. There were 291,683,550 voting common shares issued and outstanding at September 30, 2021 (279,887,716 at December 31, 2020).

An unlimited number of preferred shares are authorized for issue in series. There were no preferred shares issued at September 30, 2021 (none at December 31, 2020).

Property Options

During the nine-month period ended September 30, 2021, 400,000 shares were issued as consideration for maintaining certain property options. The shares were valued at \$32,000.

During the nine-month period ended September 30, 2020, 500,000 shares were issued as consideration for maintaining certain property options. The shares were valued at \$59,000.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Private Placements

During the nine-month period ended September 30, 2020, the Company issued 3,333,333 units at \$0.09 per unit for gross proceeds of \$300,000. Each unit consisted of one common share and one-half common share purchase warrant.

A further 9,938,462 units were issued at \$0.13 per unit for gross proceeds of \$1,292,000, of which \$40,000 was received subsequent to year end. Each unit consisted of one common share and one-half common share purchase warrant.

Flow-Through Private Placements

During the nine-month period ended September 30, 2021, the Company issued 5,000,000 flow-through common shares at \$0.06 per unit for gross proceeds of \$300,000. The difference between the issue price of the shares and market value on date of issuance of \$50,000 was recorded as deferred flow-through premium liability.

A further 6,395,834 flow-through share units at \$0.064 per unit for gross proceeds of \$409,333. Each unit consisted of one flow-through share and one non-flow-through common share purchase warrant. The difference between the issue price of the units and market value of the common shares on date of issuance of \$89,542 was split between deferred flow-through premium liability of \$31,979 and warrants of \$57,563.

During the nine-month period ended September 30, 2020, the Company issued 8,000,000 flow-through share units at \$0.175 per unit for gross proceeds of \$1,400,000. Each unit consisted of one flow-through share and one-half non-flow-through common share purchase warrant. The difference between the issue price of the shares and market value on date of issuance of \$120,000 was recorded as deferred flow-through liability.

Warrants Exercised

During the nine-month period ended September 31, 2020, 400,000 shares were issued upon the exercise of warrants for gross proceeds of \$44,000.

Share Issue Costs

During the nine-month period ended September 30, 2021, a total of \$24,680 of share issue expenses were incurred, including the issuance of 280,000 finders warrants with a value of \$5,380, estimated using the Black-Scholes option pricing model, with an estimated volatility of 103%, dividend rate of 0% and risk-free rate of 0.5% and expected life of 2 years.



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

During the nine-month period ended September 30, 2020, a total of \$45,458 of share issue expenses were incurred, including the issuance of 233,333 finders warrants with a value of \$7,933, estimated using the Black-Scholes option pricing model, with an estimated volatility of 74%, dividend rate of 0% and risk-free rate of 1.7% and expected life of 2 years.

Warrants

The following continuity summarizes the Company's outstanding warrants over the period covered by these Financial Statements:

	<u>Quantity</u>	<u>Weighted Average Exercise Price</u>
Balance, January 1, 2020	14,955,926	\$ 0.11
Issued during the year	12,931,733	0.18
Exercised during the year	(400,000)	0.11
Balance, December 31, 2020	27,487,659	0.14
Issued during the period	9,495,509	0.10
Expired during the period	(3,293,750)	0.14
Balance, September 30, 2021	27,671,826	\$ 0.14

Additional information regarding warrants outstanding as at September 30, 2021:

<u>Issue Date</u>	<u>Exercise Price</u>	<u>Quantity</u>	<u>Expiry Date</u>
March 6, 2019	\$ 0.10	1,766,667	March 6, 2022
December 9, 2019	\$ 0.10	7,287,963	December 9, 2021
December 17, 2019	\$ 0.10	2,050,000	December 17, 2021
December 17, 2019	\$ 0.10	157,546	December 17, 2021
January 27, 2020	\$ 0.18	1,666,667	January 27, 2022
January 27, 2020	\$ 0.10	233,333	January 27, 2022
August 22, 2020	\$ 0.20	8,969,232	August 22, 2022
December 30, 2020	\$ 0.11	2,062,501	December 30, 2022
September 24, 2021	\$ 0.10	200,000	September 24, 2023
September 28, 2021	\$ 0.10	3,277,917	September 28, 2023
		27,671,826	

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Stock options

The Company has established a Stock Option Plan (the "Plan") to develop the interest and incentive of eligible employees, directors and consultants in the Company's growth and development. The aggregate number of share options which may be issued and outstanding at any time under this plan shall not exceed 10% of the total number of issued and outstanding shares of the Company unless the Company receives the permission of the TSX Venture Exchange and its shareholders. As at September 30, 2021, 29,168,355 common share options were authorized to be issued and outstanding under the Plan (December 31, 2020 – 27,988,772). Stock options are granted with an exercise price equal to the underlying common stock's fair value at the time of grant. Once vested, options may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the option holder ceases to be a director, officer, employee, or consultant of the Company.

The following summarizes the Company's outstanding option obligations over the period covered by these Financial Statements:

	<u>Quantity</u>	<u>Weighted Average Exercise Price</u>
Balance, January 1, 2020	16,150,000	\$ 0.13
Options issued during the period	700,000	
Expired during the period	(350,000)	0.10
Balance, December 31, 2020	16,500,000	0.13
Expired during the period	(6,850,000)	0.16
Balance, September 30, 2021	9,650,000	\$ 0.10

At September 30, 2021, the remaining pool of options available for grant was 19,518,355 (December 31, 2020 – 11,488,772).

Additional information regarding options outstanding at September 30, 2021:

Issue Date	Exercise Price	Quantity	Expiry Date	Exercisable
June 30, 2017	\$ 0.10	5,000,000	June 30, 2022	5,000,000
June 25, 2019	\$ 0.10	4,000,000	June 25, 2024	4,000,000
January 15, 2020	\$ 0.10	650,000	January 15, 2025	650,000
		9,650,000		9,650,000



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

7. SHARE CAPITAL (continued)

Share-based compensation

The Black-Scholes option pricing model, used by the Company to calculate option values, was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's option awards. These models require subjective assumptions, including future stock price volatility and expected time until exercise, which affect calculated values, summarized in the table below.

<u>Assumptions</u>	<u>2021</u>	<u>2020</u>
Lifetime	N/A	5 years
Interest Rate	N/A	1.6%
Annual Volatility	N/A	122%
Dividends	N/A	none

During the nine-month period ended September 30, 2020, the Company incurred an expense of \$51,800 relating to options granted and vested during the year. The entire amount was attributed to the General and Administrative function (Note 9).

8. LOSS PER SHARE

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. As the Company has recorded a loss in each of the years presented, the following table presents the securities excluded from the loss per share computation for the nine-month periods ended September 30:

	<u>2021</u>	<u>2020</u>
Stock options	9,650,000	15,800,000
Stock purchase warrants	27,671,826	25,425,158
	<u>37,321,826</u>	<u>41,225,158</u>



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

9. NATURE OF EXPENSES

General and administrative expenses comprised the following during the nine-month periods ended September 30:

	2021	2020
Remuneration and consulting fees	\$ 275,999	\$ 251,460
Office expenses	68,466	73,326
Travel expenses	1,661	16,976
Marketing expenses	17,330	184,055
Professional fees	60,074	65,971
Public company expenses	37,260	56,150
Insurance expenses	18,300	13,458
Amortization (Note 4)	27,625	28,998
	506,715	690,394
Share-based compensation (Note 7)	-	51,800
	\$ 506,715	\$ 742,194

Expensed exploration comprised the following during the nine-month periods ended September 30:

	2021	2020
Expensed prospecting activities	\$ 6,885	\$ 24,775

10. RELATED PARTY TRANSACTIONS

The following table presents the legal fees that, during the nine-month periods ended September 30, the Company incurred with two law firms which, at one, a Director of the Company is a partner and at the other, the Company's corporate secretary is a partner.

	2021	2020
Board Member	\$ 300	\$ 2,452
Corporate Secretary	51,347	62,616

Amounts owed to the two related-party firms on the dates indicated:

	September 30, 2021	December 31, 2020
Board Member	\$ -	\$ 9,485
Corporate Secretary	-	-



Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (continued)

The following table presents the compensation earned by key members of management during the nine-month periods ended September 30, noted below:

	2021	2020
Salaries	\$ 209,590	\$ 179,256
Benefits	5,538	4,774
	\$ 215,128	\$ 184,030

Key Management Personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

11. GOVERNMENT ASSISTANCE

During the nine-month period ended September 30, 2021, \$30,000 of government assistance was received and applied against capitalized exploration expenditures (2020 - \$73,211, Note 3).

12. SEGMENT INFORMATION

The Company has one operating segment involved in the exploration of resource properties. All the Company's exploration activities were in Canada.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Market risk

Market risk is the risk that changes in market prices, such as equity prices, interest rates and foreign exchange rates will affect the Company's income (loss) or the value of its financial instruments.

Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Foreign exchange risk

The Company is not exposed to significant foreign exchange risk due to the low volume of foreign currency transactions.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's unbilled receivables.

a) Concentration of credit risk

Counterparties expose the Company to credit-related losses in the event of non-performance. By dealing with only creditworthy counterparties, the Company's credit exposure is minimized. There were no amounts due to the Company from non-governmental counterparties at September 30, 2021.

Credit risk (continued)

b) Credit risk exposure

The carrying amounts of the cash, and amounts receivable represent the maximum exposure to credit risk. The maximum exposure to credit risk at September 30, 2021 was \$650,014 (December 31, 2020 - \$1,837,687). The cash is held by the Company's banks, two of the large Canadian chartered banks. Since the inception of the Company, no losses have been suffered in relation to cash held in the bank.

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 manage liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$632,811. To date, the Company has incurred significant operating losses. The Company's ability to continue as a going concern is dependent on its ability to generate sufficient capital through either revenues or through further financings. The Company is exposed to liquidity risk.

Fair values

- a) The fair value of amounts receivable, accounts payable and accrued liabilities and lease liability is approximately equal to their carrying value due to their short terms to maturity.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine-month periods ended September 30, 2021, and 2020
(unaudited and expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

b) Fair value hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The fair value of the investment in shares is determined based on recent market transactions for similar instruments issued by that company. Cash and the investment in shares are level 1 instruments.

14. CAPITAL MANAGEMENT

The Company aims to maintain a strong capital base to maintain investor, creditor and market confidence, to fund future exploration and maintain the ability to continue as a going concern. Capital is defined as the Company's shareholders' equity. The Company does not have any long-term debt and the Company does not intend to assume any until any given development project warrants it. The Board of Directors does not establish quantitative capital criteria for management; but rather promotes the use of periodic equity financing events as the primary method of funding administrative operations and exploration and development. Other methods open to management to fund exploration include extending joint venture or earn-in opportunities to other parties relating to specific properties.

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