STRATEGX ELEMENTS CORP.

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended

December 31, 2021 and 2020

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Independent Auditor's Report

To the Shareholders of StrategX Elements Corp.

Opinion

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

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

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 Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the 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 identified above 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 the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting Standards, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

"Crowe MacKay LLP"

Chartered Professional Accountants
Vancouver, Canada
April 4, 2022

STRATEGX ELEMENTS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)
AS AT December 31,

	Notes	2021	2020
ASSETS			
Current			
Cash		$ 831,038	$ 95,317
Receivables		13,567	-
Prepaid expenses		3,154	4,761
Total current assets		847,759	100,078
Due from related party	8	126,393	126,737
Long-term deposits	4	67,532	62,280
Exploration and evaluation assets	5, 8	1,397,558	861,450
Total assets		$ 2,439,242	$ 1,150,545
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		$ 272,944	$ 35,770
Due to related parties	8	59,014	27,495
Loans	6, 8	40,000	50,000
Total current liabilities		371,958	113,265
Long term loans	6	-	24,793
Total liabilities		371,958	138,058
Shareholders' equity			
Share capital	7	2,700,053	1,187,035
Warrant reserve	7	120,519	-
Accumulated deficit		(753,288)	(174,548)
Total shareholders' equity		2,067,284	1,012,487
Total liabilities and shareholders' equity		$ 2,439,242	$ 1,150,545

Nature of operations (Note 1)
Going concern (Note 2)
Events subsequent to the reporting period (Note 13)

On behalf of the Board:

"Darren Bahrey" Director *"Ryan McEachern"* Director

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

STRATEGX ELEMENTS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED December 31,

	Notes	2021	2020
EXPENSES			
Accretion and interest	6, 8	$ 5,517	$ 6,536
Accounting and auditing		64,669	-
Corporate and shareholder communication		18,741	-
Filing and transfer agent		35,639	-
Foreign exchange loss		157	3,472
Legal		97,606	3,858
Management fee	8	133,500	-
Office and miscellaneous		27,453	40,400
Project investigation		-	5,236
Rent	8	26,203	27,195
Salary and benefits		36,009	-
Share-based compensation	8	120,519	-
Loss before other item		(566,013)	(86,697)
Other item			
Government grant – CEBA loan	6	(12,727)	16,743
Loss and comprehensive loss for the year		$ (578,740)	$ (69,954)
Basic and diluted loss per common share		$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding - Basic and diluted		20,745,562	13,559,642

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

STRATEGX ELEMENTS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED December 31,

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	$ (578,740)	$ (69,954)
Items not involving cash:		
Accretion and interest	2,480	1,536
Government grant – CEBA loan	12,727	(16,743)
Foreign exchange loss	157	3,472
Share-based compensation	120,519	-
Changes in non-cash working capital items:		
Receivables	(13,567)	6,191
Accounts payable and accrued liabilities	189,600	11,036
Prepaid expenses	1,607	(4,761)
Due to related parties	23,752	52,018
Net cash provided by (used in) operating activities	(241,465)	(17,205)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued for cash	1,585,540	67,950
Share issuance costs	(72,522)	-
Proceeds from CEBA loan	-	40,000
Repayment of loan	(50,000)	-
Net cash provided by financing activities	1,463,018	107,950
CASH FLOWS FROM INVESTING ACTIVITIES		
Due from related party	-	(11,634)
Long-term deposits	(5,252)	(19,697)
Government grants	51,000	138,000
Exploration and evaluation expenditures	(531,767)	(184,296)
Net cash used in investing activities	(486,019)	(77,627)
Change in cash during the year	735,534	13,118
Effect of foreign exchange	187	(3,472)
Cash, beginning of year	95,317	85,671
Cash, end of year	$ 831,038	$ 95,317
Interest paid	$ 13,096	$ -

Supplemental disclosures with respect to cash flows (Note 11)

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

STRATEGX ELEMENTS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	Share Capital		Special Warrants				
	Number	Amount	Number	Amount	Warrant reserve	Accumulated deficit	Total
Balance, December 31, 2019	13,451,667	$ 909,085	-	$ -	$ -	$ (104,594)	$ 804,491
Private placement	453,000	67,950	-	-	-	-	67,950
Debt settlement	1,400,000	210,000	-	-	-	-	210,000
Net loss for the year	-	-	-	-	-	(69,954)	(69,954)
Balance, December 31, 2020	15,304,667	1,187,035	-	-	-	(174,548)	1,012,487
Private placement	6,896,096	1,042,415	-	-	-	-	1,042,415
Special warrants	-	-	1,852,500	463,125	-	-	463,125
Share issuance costs	-	(72,522)	-	-	-	-	(72,522)
Conversion of special warrants	1,852,500	463,125	(1,852,500)	(463,125)	-	-	-
Exercise of warrants	800,000	80,000	-	-	-	-	80,000
Share-based compensation	-	-	-	-	120,519	-	120,519
Net loss for the year	-	-	-	-	-	(578,740)	(578,740)
Balance, December 31, 2021	24,853,263	$ 2,700,053	-	$ -	$ 120,519	$ (753,288)	$ 2,067,284

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

1. NATURE OF OPERATIONS

StrategX Elements Corp. ("StrategX" or the "Company") was incorporated on June 28, 2018 under the laws of British Columbia, Canada. On January 10, 2022, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "STGX".

The Company's principal business activity is the acquisition and exploration of mineral property interests. The Company is in the exploration stage and substantially all the Company's efforts are devoted to financing and developing these property interests. There has been no determination whether the Company's interests in unproven exploration and evaluation assets contain economically recoverable mineral resources.

The Company's head office is located at 514 – 55 Water Street, Vancouver, British Columbia, Canada.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financing Reporting Interpretations Committee ("IFRIC").

These financial statements were approved and authorized for issue by the Board of Directors on April 4, 2022.

Basis of presentation

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, StrategX Diamonds Corp, from its incorporation on April 15, 2019 in the province of British Columbia to its dissolution on July 30, 2021. StrategX Diamonds Corp. is inactive and has no activities since incorporation.

The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

Functional and presentation currency

The Company and its wholly owned subsidiary's reporting and functional currency is the Canadian dollar. Monetary assets and liabilities of the Company are translated into Canadian dollars at the exchange rate in effect on the consolidated statements of financial position date, while non-monetary assets and liabilities are translated at historical rates. Expenses are translated at the average rates over the reporting period. Gains and losses from these translations are included in profit or loss.

2. BASIS OF PRESENTATION *(cont'd…)*

Going concern

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of its resource properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Such adjustments could be material.

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. As at December 31, 2021, the Company has an accumulated deficit of $753,288 (2020 - $174,548) and has a working capital of $475,801 (2020 – deficiency of $13,187) and has incurred significant losses. These circumstances may cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The recovery of amounts capitalized for exploration and evaluation assets at December 31, 2021 and 2020 in the consolidated statements of financial position is dependent upon the ability of the Company to arrange appropriate financing to complete the development and continued exploration of the properties. The Company plans to raise funds primarily through the issuance of shares or obtain profitable operations. The outcome of these matters cannot be predicted at this time.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak has caused staff shortages, reduced consumer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments. There may be potential difficulties in accessing the Company's exploration and evaluation projects.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash includes cash held at major financial institutions and highly liquid guaranteed investment certificates that are readily available to the Company on demand or with maturity dates of three months or less.

Exploration and evaluation assets ("E&E" assets)

Pre-exploration costs are expensed in the period in which they are incurred. Once the legal right to explore a property has been acquired, the Company capitalizes costs related to the acquisition and exploration of E&E assets. These costs include purchase cost, mineral lease, staking costs, filing fees, drilling, assaying, geological, geophysical, technical studies and any other exploratory activities. E&E assets for which commercially viable reserves have been identified are reclassified to development assets. They are tested for impairment immediately prior to reclassification out of E&E assets. When an unproven mineral interest is abandoned, all related expenditures are written off to operations for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (*cont'd…*)

Impairment of non-current assets

Exploration and evaluation assets are assessed for impairment when events or circumstances indicate that the carrying amounts of the assets may not be recoverable. An impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is determined as the present value of the estimated future pre-tax cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal. The Company reviews impairment on non-financial assets for possible reversal when events or circumstances warrant such consideration.

Government grants

Government grants are recognized when there is reasonable assurance that (a) the Company will comply with the conditions attaching to them; and (b) the grant will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes the related costs for which the grants are intended to compensate.

Government grants in relation to the mineral exploration activities are recorded as a deduction of the carrying amount of the exploration and evaluation assets.

A forgivable loan is treated as a government grant when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. The benefit of a government loan at a below-market rate of interest is treated as a government grant.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the production assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is amortized on the same basis as mining assets.

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 mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (*cont'd…*)

Share-based payments

The Company uses the fair value method of accounting for share-based payments on stock option grants. Under this method, the cost of stock options is recorded based on the estimated fair value at the grant date, including an estimate of the forfeiture rate, and charged either to operations or capitalized to exploration and evaluation asset costs over the vesting period. The fair value is calculated using the Black-Scholes option pricing model.

Share-based payment transactions for employees and others providing similar services is determined based on the grant date fair value. Share-based payment for non-employees is determined based on the fair value of the goods or services received or option granted measured at the date on which the Company obtains such goods or services.

Each tranche in an option award is considered a separate award with its own vesting period. Share-based payment expense is recognized over each tranche's vesting period, in earnings or capitalized as appropriate, based on the number of awards expected to vest. Where awards are forfeited, the expense previously recognized is proportionately reversed in the period the forfeiture occurs. If stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

Lease

Under IFRS 16, the Company recognizes right of use assets and lease liabilities for all leases except where the Company has elected to use the practical expedient to not recognize right-of-use assets and lease liabilities for low-value assets or short-term leases under 1 year that are not expected to renew. As of December 31, 2021 and 2020, the Company only had a short-term lease relating to office space where no right-of-use assets or lease liabilities were recognized.

Share purchase warrants

The fair value of warrants issued by the Company as a component of equity financing, their intrinsic fair value is bifurcated from the fair value of other securities issued, and is recorded as a component of equity reserves. When the warrants are granted as compensation for the receipt of goods or services, their fair value is determined using the Black-Scholes option pricing model, which is recorded either as an expense or is capitalized to share capital or assets, on the same basis as equivalent cash payments.

When share purchase warrants are exercised, the cash proceeds and any amount previously recorded in equity reserves are recorded as share capital.

Loss per share

The Company computes the dilutive effect of options, warrants and similar instruments on loss per common share from 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 years presented, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

3. SIGNIFICANT ACCOUNTING POLICIES (*cont'd…*)

Income taxes

Income taxes comprise current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year using enacted tax rates at the reporting date. Deferred tax is calculated using the liability method on temporary differences between the carrying values of assets and liabilities and their respective income tax bases, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply when the assets are recovered and the liabilities settled. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that future taxable income will be available against which they can be used.

Financial instruments

The Company recognizes a financial asset or a financial liability in its statements of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

Financial assets
The Company will classify financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, based on its business model for managing the financial asset and the financial asset's contractual cash flow characteristics. The three categories are defined as follows:

a) Amortized cost - a financial asset is measured at amortized cost if both of the following conditions are met:
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Fair value through other comprehensive income - financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

c) Fair value through profit or loss ("FVTPL") - any financial assets that are not held in one of the two business models mentioned are measured at FVTPL.

When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

The Company's financial assets are comprised of cash which is classified as FVTPL, and due from related parties which are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (*cont'd…*)

Financial instruments (*cont'd…*)

Financial assets (cont'd…)

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as financial assets measured at fair value through other comprehensive income ("FVTOCI") remain within accumulated other comprehensive loss.

Financial liabilities

The Company's liabilities include accounts payable and accrued liabilities, due to related parties and loans and long term loans which are all measured at amortized cost. After initial recognition, an entity cannot reclassify any financial liability.

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

Financial assets and liabilities are offset, and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment
The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Management judgments and estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management's use of estimates, assumptions and judgment that impact the Company's reported financial results. These estimates are based on past experiences and expectations of future events. Uncertainty on these judgments could result in material differences of the carrying amounts in the Company's financial position.

The key judgments and estimates that affect the consolidated financial statements are:

Impairment of exploration and evaluation assets (E&E assets)

The Company carries out an impairment assessment on its E&E assets when circumstances indicate their carrying values may exceed their recoverable amounts. The process of determining the impairment involves significant judgment and estimation on the recoverability of the E&E assets as it relies on both an interpretation of geological and technical data as well as market conditions including commodity prices, investor sentiment and global financing. As new information comes up, the recoverable amounts of the assets and the impairment loss may differ from these judgments and estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (*cont'd…*)

New, amended and future accounting pronouncements

Accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. LONG-TERM DEPOSITS

During the year ended December 31, 2021, the Company made a net deposit of $5,252 (2020 - $19,697) to the Government of Northwest Territories in regards with prospecting permit application. As of December 31, 2021, the Company has total deposits of $67,532 (2020 - $62,280) which are refundable after the completion of the permitting process.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS

	Project 939 (Northwest Territories)	*EA South (Northwest Territories)*	*Project N (Nunavut)*	*Project NagVaak (Nunavut)*	*Project Mel (Nunavut)*	*Total*
Balance, December 31, 2019	$ 557,699	$ 248,941	$ -	$ -	$ -	$ 806,640
Acquisition	-	-	-	-	-	-
Exploration						
Assay	1,294	-	-	-	-	1,294
Data	5,097	5,097	-	-	-	10,194
Geology	20,107	6,607	-	-	-	26,714
Consulting (Note 8)	60,210	60,210	-	-	-	120,420
Field	11,720	11,720	-	-	-	23,440
Travel	5,374	5,374	-	-	-	10,748
Government grants	(117,000)	(21,000)	-	-	-	(138,000)
Balance, December 31, 2020	544,501	316,949	-	-	-	861,450
Acquisition	25,000	25,000	-	-	-	50,000
Staking costs and application fees	-	-	30,175	3,165	-	33,340
Exploration						
Assay	21,101	-	-	-	-	21,101
Camp costs	-	-	-	-	68,617	68,617
Community	690	690	-	-	-	1,380
Data	30,614	8,556	-	-	-	39,170
Geology	79,016	-	-	-	-	79,016
Consulting (Note 8)	141,701	8,000	-	-	-	149,701
Field	1,285	1,996	-	-	-	3,281
License and permitting	2,204	1,734	4,896	-	-	8,834
Geological survey	121,419	-	-	-	-	121,419
Travel	11,249	-	-	-	-	11,249
Government grant	(51,000)	-	-	-	-	(51,000)
Balance, December 31, 2021	$ 927,780	$ 362,925	$ 35,071	$ 3,165	$ 68,617	$ 1,397,558

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (*cont'd…*)

Project 939 and EA South, Northwest Territories, Canada

On September 24, 2018, the Company entered into a Letter of Agreement (the "Agreement") with Hunter Exploration Group. Pursuant to the terms of the Agreement, the Company will acquire 100% of interest in the Project 939 and EA South Project located in the Northwest Territory, Canada. Project 939 and EA South comprises 12 prospecting permits (93,821 hectares) and 16 mining claims (12,638 hectares) The Agreement was replaced by a Property Purchase Agreement dated January 11, 2021. According to the Property Purchase Agreement, the Company will have the following obligations:

Cash payments

$100,000	On or before July 3, 2018 (paid)
$100,000	On or before August 17, 2018 (paid)
$50,000	On or before July 1, 2019 (paid)
$50,000	On or before July 1, 2021 (paid)
$50,000	On or before July 1, 2022 (extended to July 1, 2022)
$350,000	

Work Commitment

$300,000	By December 31, 2018
$700,000	By December 31, 2019
$1,000,000	By December 31, 2020
$2,000,000	By December 31, 2021
$4,000,000	(Revised to complete the total amount by December 31, 2023)

As of December 31, 2021, the Company has incurred accumulatively $1,383,705 (2020 - $953,450) of exploration and evaluation assets.

Share payments

Issue 1,500,000 share units within 10 days of completing the $4,000,000 work commitment (Subsequently revised to issue the shares no later than January 10, 2024). Each share unit will be comprised of one common share of the Company and one share purchase warrant. Each warrant will be exercisable into one common share of the Company at a price of $0.50 per share for a period of five years from the date of issuance.

Annual Advanced Royalty Payment ("AARP")

Commencing July 1, 2023, a $100,000 AARP to be paid on or before July 1 and that of each subsequent year until the commencement of commercial production.

Royalties

The Project is subject to 2% Net Smelter Royalty and a 2% Gross Overriding Royalty on diamonds.

Government grant

During the year ended December 31, 2021, the Company received government grants of $51,000 (year ended December 31, 2020 - $138,000) from the Government of the Northwest Territories (the "GNWT"). The GNWT's contribution is towards mineral expenditure incurred by the Company on the Project 939 and EA South.

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (*cont'd…*)

Project N, Nunavut, Canada

During the year ended December 31, 2021, the Company staked 13 claims ("Project N"), 9,646 hectares located adject and outside of Mel Project (see note below), at the Melville Peninsula region of Nunavut, Canada. The staking cost is $30,175.

Project NagVaak, Nunavut, Canada

Effective August 1, 2021, the Company entered into a Mineral Exploration Agreement with Nunavut Tunngavik Incorporated ("NTI"), pursuant to which, the Company obtained a renewable 20-year lease with an area of approximately 2,665 hectares expiring on July 31, 2041.

The Company paid $3,165 for the application fee and first year lease payment in October 2021.

Annual fees

Year	Annual fees ($/hectare/year)	Due date
1	1	On signing (paid)
2-5	2	On 1st, 2nd, 3rd and 4th anniversary dates
6-10	3	On 5th, 6th, 7th, 8th and 9th anniversary dates
11-15	4	On 10th, 11th, 12th, 13th and 14th anniversary dates
16-20	5	On 15th, 16th, 17th, 18th and 19th anniversary dates

Minimum annual exploration work requirement

Year	Minimum annual work requirement ($/hectare/year)
1-2	5
3-5	10
6-10	20
11-15	30
16-20	40

Project Mel, Nunavut, Canada

Pursuant to an agreement with North Arrow Minerals Inc. dated January 13, 2021, the Company acquired 100% of the non-diamond mineral rights in respect of 46 mineral claims (covering approximately 56,075 ha of land) in Nunavut, commonly referred to as the "*MEL Project*", subject to a 1% gross overriding royalty on non-diamond mineral production from the property, half of which royalty may be purchased at any time by the Company for $1,000,000. This royalty applies to any property owned by the Company within an area of interest extending up to 5 km from the Mel Project boundary. Pursuant to the same agreement, the Company will be granted a 2% gross overriding diamond royalty (reduced to 1% in areas where there is an existing underlying royalty) over the same property, half of which royalty may be purchased by North Arrow Mines Inc. at any time for $2,000,000. As consideration being paid for Mel Project, both the 1% gross overriding royalty on non-diamond mineral production and the 2% gross overriding royalty are valued at $Nil.

Under the agreement, the parties also agreed to share exploration infrastructure in support of their respective exploration and evaluation efforts on the Melville Peninsula and accordingly also entered into a camp and permit sharing arrangement. As of December 31, 2021, the Company accrued $68,617 of camp costs.

5. EXPLORATION AND EVALUATION ASSETS (*cont'd…*)

Title to resource properties

Although the Company has taken steps to verify the title to exploration properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Realization of assets

The investment in and expenditures on exploration properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are permitted to lapse.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.

6. LOANS

Loans from CEO

On August 31, 2018, the Company entered into a loan agreement with Darren Bahrey, the CEO. The loan principal amount is $100,000. The loan bears an interest at 10% per annum and has no fixed term of repayment. On June 13, 2019, the Company repaid the loan principal of $50,000 and interest of $3,932. During the year ended December 31, 2021, the Company fully repaid the remaining $50,000 principal and interest of $13,096 to the CEO.

Canada Emergency Business Account ("CEBA") loan

On April 30, 2020, the Company received $40,000 of CEBA loan from Bank of Montreal. The loan is interest free, and $10,000 of the loan is eligible for loan forgiveness if $30,000 has been fully repaid on or before December 31, 2022. It also has no principal repayments during this period. The loan was recorded at a fair value of $23,257 using an effective rate of 10%, considering the grant, the interest- free loan and the forgivable portion. The residual value of $16,743 is recorded as other income.

6. LOANS *(cont'd…)*

Canada Emergency Business Account ("CEBA") loan (cont'd…)

Subsequent to the year ended December 31, 2021, the Company received a notice that the Government of Canada declined the Company's application of CEBA loan, and the CEBA loan has been converted into a non-revolving term loan as of January 21, 2022. Accordingly, the Company reversed $12,727 of the previously recorded government grant, and restored the loan balance to its original principal amount at $40,000 as of December 31, 2021.

During the year ended December 31, 2021, interest of $2,480 (2020 - $1,536) was recognized in the consolidated statements of loss and comprehensive loss. As of December 31, 2021, a balance of $40,000 (December 31, 2020 - $24,793) is recorded as short-term (December 31, 2020 - long-term) loans.

7. SHARE CAPITAL

Authorized - unlimited number of common shares without par value

Share issuance

At December 31, 2021, the Company had 24,853,263 (December 31, 2020 – 15,304,667) common shares issued and outstanding.

During the year ended December 31, 2021:

i) the Company issued 6,816,096 shares at $0.15 per share for total proceeds of $1,022,415. The Company paid $14,400 of cash finder's fees.

ii) the Company issued 80,000 shares at $0.25 per share for total proceeds of $20,000.

iii) the Company issued 800,000 shares pursuant to exercise of 800,000 warrants at $0.10 per share for total proceeds of $80,000.

iv) In July and September 2021, the Company closed a non-brokered private placement by issuing 1,852,500 special warrants at $0.25 per share for total proceeds of $463,125. The Company paid $15,000 of finder's fee. Each special warrant will be automatically exchanged into one common share of the Company with no additional cost. In November and December 2021, the 1,852,500 special warrants were automatically converted into 1,852,500 common shares of the Company.

v) the Company accrued legal fee of $43,122 for the issuance of shares and special warrants.

During the year ended December 31, 2020:

i) the Company issued 453,000 shares at $0.15 per share for total proceeds of $67,950.

ii) the Company issued 1,400,000 shares at $0.15 to settle amounts payable to the CEO of $210,000.

(Expressed in Canadian dollars)

7. SHARE CAPITAL *(cont'd…)*

Share escrow

In accordance with National Policy 46-201 - *Escrow for Initial Public Offerings* of the Canadian Securities Administrators, certain principals of the Company entered into escrow agreements with the Company and its transfer agent. Pursuant to the escrow agreements, 3,920,001 shares and 1,650,000 warrants were escrowed for a period of 36 months on December 17, 2021. During the escrowed period, the securityholders are not permitted to sell, transfer, assign, mortgage, or enter into a derivative transaction in regards with the escrowed securities. The escrowed securities were released by 10% on January 10, 2022, the date the Company's shares are listed for trading on CSE, and then 15% every six months thereafter.

Stock options

On March 31, 2021, the Company adopted a stock option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees and consultants. The term of the option grants is up to ten years and the vesting schedule, if any, will be determined by the Board of Directors. The maximum number of common shares reserved for issue shall not exceed 15% of the total number of common shares issued and outstanding as at the grant date.

There were no stock option transactions during the years ended December 31, 2021 and 2020.

Warrants

In March and April 2021, the Company granted to directors, officers and consultants 1,050,000 warrants, exercisable at $0.15 per share for a term of 2 years from the Company's completion of a liquidity event. A liquidity event means a merger, sale of the Company, or an initial public offering, or such other similar events as shall be determined by the Board of Directors in its sole discretion.

The fair value of the warrants granted was $120,519 (approximately $0.11 per warrant). During the year ended December 31, 2021, the Company recorded share-based compensation of $120,519 in the consolidated statements of loss and comprehensive loss.

The Company referred to other early-stage exploration companies in the similar area for its volatility estimation. The fair value of the warrants granted was determined using the Black-Scholes option price modelling with the following assumptions:

Weighted average assumptions	Year ended December 31, 2021
Risk free interest rate	0.30%
Volatility	150%
Expected life of options	2.5 years
Dividend rate	0%

(Expressed in Canadian dollars)

7. SHARE CAPITAL *(cont'd…)*

Warrants *(cont'd…)*

The continuity of the Company's warrants as of December 31, 2021 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019 and 2020	4,000,000	$ 0.10
Granted	1,050,000	0.15
Exercised	(800,000)	0.10
Balance, December 31, 2021	4,250,000	$ 0.11

As at December 31, 2021, the following warrants are outstanding:

Number of Warrants	Exercise Price	Expiry Date
1,050,000	$ 0.15	January 10, 2024
3,200,000	$ 0.10	January 10, 2024

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties during the year ended December 31, 2021:

a) the Company paid or accrued consulting fees of $51,000 (2020 - $67,920) in exploration and evaluation assets, $51,000 (2020 - $Nil) in management fees, and $Nil (2020 - $27,195) in rent to a company controlled by the CEO. As of December 31, 2021, the Company had $26,775 (2020 - $9,235) payable to the company controlled by the CEO.

During the year ended December 31, 2020, the Company issued 1,400,000 shares at $0.15 to settle amounts payable to the CEO of $210,000.

b) the Company paid or accrued management fees of $82,500 (2020 - $Nil) to a company controlled by the CFO. As of December 31, 2021, the Company had $23,625 (2020 - $Nil) payable to the company controlled by the CFO.

c) the Company paid or accrued consulting fees of $63,000 (2020 - $Nil) in exploration and evaluation assets to a company controlled by the VP Exploration. As of December 31, 2021, the Company had $8,614 (2020 - $Nil) payable to the company controlled by the VP Exploration.

d) the Company accrued interest of $1,014 (2020 - $5,000) to the CEO of the Company. As of December 31, 2021, the Company has a loan payable to the CEO of $Nil (2020 - $50,000) and accrued interest of $Nil (December 31, 2020 - $12,082) in due to related parties.

e) 1,000,000 (2020 - Nil) warrants were granted to directors and officers having a fair value on issuance of $114,780 (2020 - $Nil).

Due to related parties do not bear interest, are unsecured and repayable on demand.

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS *(cont'd…)*

Due from related party

On August 1, 2018, the Company and the CEO entered into a Revolving Line of Credit Agreement ("LOC"). Pursuant to the Agreement, the Company will make payments towards Project Green located in the Republic of Panama, of which the CEO currently holds the mineral property application. The LOC has a maximum funding amount of US$100,000, interest free, and repayable by July 31, 2025.

On June 15, 2021, the Company, the CEO and 10X Minerals Corp. ("10X") entered into a loan Assignment and Assumption Agreement, pursuant to which 10X assumed the LOC from the CEO, and the Company consent to the assignment of the LOC from the CEO to 10X. The Company expect to have the loan settled with common shares of 10X. 10X was incorporated on March 10, 2021 under the laws of British Columbia, Canada, and is also controlled by CEO. 10X is a junior exploration company focused on exploring diamonds and specialty minerals in Nunavut, Canada.

As of December 31, 2021 and 2020, the accumulated advance is US$99,543 (December 31, 2021 - $126,393; December 31, 2020 - $126,737).

9. FAIR VALUE MEASUREMENT AND RISK MANAGEMENT

IFRS 13, Fair Value Measurement, establishes 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 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – 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); and,
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial instruments measured at fair value by level within the fair value hierarchy:

December 31, 2021	**Level 1**	**Level 2**	**Level 3**
Financial assets at FVTPL			
Cash	$ 831,038	$ -	$ -

December 31, 2020	**Level 1**	**Level 2**	**Level 3**
Financial assets at FVTPL			
Cash	$ 95,317	$ -	$ -

Financial risk management

The Company's objective in risk management is to maintain its ability to continue as a going concern. It is exposed to the following risks:

9. FAIR VALUE MEASUREMENT AND RISK MANAGEMENT *(cont'd…)*

Liquidity risk

Liquidity risk is the risk that the Company might not be able to meet its obligations and commitments as they come due. As at December 31, 2021, the Company had cash of $831,038 (2020 - $95,317) and a working capital of $475,801 (2020 – deficiency of $13,187).

Credit risk

Credit risk arises from cash held with financial institutions as well as credit exposure on outstanding receivables. The Company's cash is held at high-credit rating financial institutions. Receivables only consist of refundable government goods and services tax. The Company has minimal credit risk.

Market risk

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

i. Interest rate risk
Interest rate risk arises from changes in market rates of interest that could adversely affect the Company. The Company's exposure to interest rate risk is insignificant.

ii. Foreign currency risk
Foreign currency risk arises from fluctuations in foreign currencies versus the Canadian dollar that could adversely affect reported balances and transactions denominated in those currencies. The Company currently has a due from related party balance which is denominated in U.S. Dollars. A 10% fluctuation in exchange rates between Canadian and U.S. Dollars would result in a $13,000 change in due from related party and foreign exchange loss. The Company does not use any techniques to mitigate foreign currency risk.

iii. Equity price risk
Equity price risk arises from market fluctuations in equity prices that could adversely affect the Company's operations. The Company's current exposure to equity price risk is limited to declines in the values and volumes including those of its own shares, which could impede its ability to raise additional funds when required.

10. CAPITAL MANAGEMENT

The Company's capital management objective is to ensure its ability to continue as a going concern to meet its operational obligations and to maintain capital access to fund its mineral exploration activities in Northwest Territory and Nunavut, Canada.

The capital that the Company manages is the total of liabilities and equity on the consolidated statements of financial position. The Company may modify the capital structure to meet its funding needs by issuing new equity shares and/or debt instruments, disposing assets or bringing in joint venture partners. To facilitate the management of its capital, the Company prepares annual budgets approved by the Board of Directors. The budget is reviewed and updated periodically to account for changes in the expenditures and economic conditions. The Company is not subject to any externally imposed capital requirements.

(Expressed in Canadian dollars)

11. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

During the year ended December 31, 2021, the Company

a) has $22,002 of exploration and evaluation assets recorded in due to related parties, and $72,308 in accounts payable and accrued liabilities as of December 31, 2021.

During the year ended December 31, 2020, the Company

a) has $14,235 of exploration and evaluation assets recorded in due to related parties, and $24,734 in accounts payable and accrued liabilities as of December 31, 2020.

b) 1,400,000 shares were issued to settle accounts payable of $210,000 to the CEO.

12. INCOME TAXES

A reconciliation of income taxes at statutory rates (2021 – 27%; 2020 – 27%) with the reported taxes is as follows:

	Year ended December 31, 2021	Year ended December 31, 2020
Loss for the year	$ (578,740)	$ (69,954)
Expected income tax (recovery)	$ (156,260)	$ (18,888)
Non-deductible differences	33,295	-
Change in unrecognized deductible temporary differences	122,965	18,888
Total income tax expenses (recovery)	**$ -**	**$ -**

Details of deferred tax assets are as follows:

	December 31, 2021	December 31, 2020
Long term loans	$ -	$ (1,000)
Share issue costs	16,000	1,000
Non-capital losses available for future periods	175,000	49,000
	191,000	49,000
Unrecognized tax benefits	(191,000)	(49,000)
Net deferred tax assets	**$ -**	**$ -**

As of December 31, 2021, the Company has non-capital losses for Canadian income tax purposes of approximately $648,000 (2020 - $184,000) which can be carried forward to reduce taxable income in future years. These tax losses expire at various times between years 2038 and 2041. The Company did not recognize deferred income tax assets because the Company has a history of losses and it is not probable that taxable profit will be available against which the deductible temporary difference can be utilized.

13. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On January 10, 2022, the Company granted incentive stock options to certain directors, officers, employees, and consultants of the Company to purchase up to an aggregate of 2,100,000 common shares of the Company. These options are exercisable for a period of five years at a price of $0.25 per share. All options will vest as to 10% on the date of grant, and a further 15% every three months thereafter.