55 North Mining Inc.

Condensed Interim Financial Statements

At June 30, 2022 and 2021

(in Canadian dollars, unless otherwise stated)

(unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

55 North Mining Inc.
Condensed Interim Statements of Financial Position
(Unaudited)
Expressed in Canadian dollars

		June 30, 2022		December 31, 2021
ASSETS				
Current assets				
Cash	**$**	**10,587**	$	115,155
Receivables		**4,561**		27,898
Prepaids		**18,188**		23,157
Investment *(Note 6)*		**---**		---
	$	**33,336**	$	166,210
LIABILITIES AND SHAREHOLDERS' DEFICIT				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**216,650**	$	390,659
Flow-through share premium liability		**---**		12,500
		216,650		430,159
Long-term liabilities				
Canada Emergency Business Account *(Note 7)*		**30,000**		30,000
		246,650		433,159
Shareholders' equity				
Share capital *(Note 8)*		**4,472,803**		4,327,258
Warrant reserve		**2,370,737**		2,313,168
Contributed surplus		**1,013,740**		1,013,740
Deficit		**(8,070,594)**		(7,921,115)
		(213,314)		(266,949)
	$	**33,336**	$	166,210

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

On behalf of the Board:
Signed:

"Bruce Reid"
Director

"Dan Hrushewsky"
Director

55 North Mining Inc.

Condensed Interim Statements of Comprehensive Loss

For the three and six months ended June 30, 2022 and 2021
(Unaudited)
Expressed in Canadian dollars, except shares and per share amounts

	3 months ended June 30, 2022	3 months ended June 30, 2021	6 months ended June 30, 2022	6 months ended June 30, 2021
Expenditures				
Project expenditures	**$ (4,373)**	$1,208,642	**$ 3,367**	$ 3,156,979
Share-based compensation	**---**	1,013,740	**---**	1,013,740
Management and consulting	**49,917**	86,737	**107,604**	184,363
Promotion and communication	**18,204**	42,557	**40,413**	48,768
Professional fees	**---**	9,181	**3,975**	45,577
General and administration	**9,715**	29,464	**26,623**	39,954
Listing costs	**---**	1,750	**---**	16,750
Loss before other items	**73,463**	2,392,071	**181,982**	4,506,131
Gain on sale of claims	**---**	---	**(20,000)**	---
Gain on sale of investment	**---**	---	**---**	(2,752,169)
Dividend income	**---**	---	**---**	(66,500)
Interest income	**---**	(870)	**(3)**	(2,710)
(Income) Loss before income taxes	**73,463**	2,391,201	**161,979**	1,684,752
Future tax recovery	**(12,500)**	(111,439)	**(12,500)**	(610,990)
(Income) Loss and comprehensive loss for the period	**$ 60,963**	$2,279,762	**$149,479**	$ 1,073,762
Basic and diluted loss per share	**$ (0.00)**	$ (0.02)	**$ (0.00)**	$ (0.01)
Weighted average number of shares outstanding during the period - basic and diluted	**121,827,068**	105,407,807	**115,689,164**	105,172,040

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

55 North Mining Inc.

Condensed Interim Statements of Changes in Deficit

For the six months ended June 30, 2022 and 2021
(Unaudited)
Expressed in Canadian dollars

	Share Capital	Warrant Reserve	Contributed Surplus	Deficit	Total
Balance at December 31, 2020	**$ 3,822,775**	**$ 1,987,833**	**$ ---**	**$ (3,798,447)**	**$ 2,072,161**
Loss for the period	---	---	---	(1,073,762)	(1,073,762)
Issue of shares - private placement	111,183	93,444	---	---	204,627
Vesting of share-based compensation	---	---	1,013,740	---	1,013,740
Dividend	---	---	---	(2,752,169)	(2,752,169)
Balance at June 30, 2021	**$ 3,993,958**	**$ 2,081,277**	**$ 1,013,740**	**$ (7,624,378)**	**$ (535,403)**
Balance at December 31, 2021	**$ 4,327,258**	**$ 2,313,168**	**$ 1,013,740**	**$ (7,921,115)**	**$ (266,949)**
Loss for the period	---	---	---	(149,479)	(149,479)
Issue of shares - private placement	42,609	27,391	---	---	70,000
Issue of shares – debt settlement	103,936	30,178	---	---	134,114
Share issue costs	(1,000)	---	---	---	(1,000)
Balance at June 30, 2022	**$ 4,272,803**	**$ 2,370,737**	**$ 1,013,740**	**$ (8,070,594)**	**$ (213,314)**

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

55 North Mining Inc.
Condensed Interim Statements of Cash Flows
For the six months ended June 30, 2022 and 2021

(Unaudited)

Expressed in Canadian dollars

	2022	**2021**
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	**$ (149,479)**	$ (1,073,762)
Future tax recovery	**(12,500)**	(610,990)
Share-based compensation	**---**	1,013,740
Dividend income	**---**	(66,500)
Net change in non-cash working capital items:		
Amounts receivable	**23,337**	84,777
Prepaids	**4,969**	51,652
Accounts payable and accrued liabilities	**(39,895)**	459,676
	(173,568)	(141,407)
FINANCING ACTIVITIES		
Issuance of private placement units	**70,000**	310,000
Share issue costs	**(1,000)**	(23,223)
Sale of investments	**---**	3,394,000
Change in restricted cash	**---**	1,241,631
Sale of short-term investments	**---**	900,000
Dividend paid	**---**	(6,524,664)
	(69,000)	(162,256)
Net decrease in cash	**(104,568)**	(303,663)
Cash, beginning of period	**115,155**	479,699
Cash, end of period	**$ 10,587**	$ 176,036

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

1. CORPORATE INFORMATION

55 North Mining Inc., a company incorporated under the Canada Business Corporation Act, and its wholly-owned subsidiary (collectively "55 North" or the "Company") are engaged in the acquisition, exploration, development and extraction of natural resources, specifically precious metals. The Company's corporate head office is located at 401 Bay Street, Suite 2702, Toronto ON M5H 2Y4. The registered office of the Company is MLT Aikins LLP, 30th Floor, 360 Main Street, Winnipeg, MB R3C 4G1. The Company is a reporting issuer, as defined in corporate law, and its shares are currently listed for trading on the Canadian Securities Exchange ("CSE") under the symbol "FFF".

On September 2, 2020, 2552883 Ontario Inc. ("Ontario Inc.") and 55 North completed a reverse takeover transaction pursuant to which 55 North acquired all the issued and outstanding shares of Ontario Inc. Ontario Inc. then amalgamated with a wholly-owned subsidiary of 55 North and continued as one company, 55 North Mining Operations Inc. Upon completion of the reverse takeover transaction (the "RTO"), the shareholders of Ontario Inc. obtained control of the consolidated entity. Under the purchase method of accounting, Ontario Inc. was identified as the acquirer, and accordingly the entity is considered to be a continuation of Ontario Inc. with the net assets of the Company at the date of the reverse takeover transaction deemed to have been acquired by Ontario Inc. (Note 4). The consolidated interim financial statements comparative figures for the quarter ended March 31, 2020 are the results of operations of Ontario Inc. The consolidated interim financial statements for the quarter ended March 31, 2021 include and 55 North. The Company operates as 55 North Mining Inc.

Ontario Inc. was originally set up as a means to access funds needed by 55 North which was unable to raise equity as a result of being cease-traded by various Canadian securities commissions. The intention was to eventually merge the two companies. This was achieved in September 2020.

These condensed interim financial statements of the Company for the three and six months ended June 30, 2022 were approved and authorized for issue by the Board of Directors of the Company on August 15, 2022.

Going Concern

Mineral exploration projects, even when successful, require large amounts of exploration investment to prove mineable reserves, generally over long periods of time, prior to commencement of production. The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing, the continued support of its existing shareholders, and the outlining and development of commercial deposits of metals at its project to generate positive cash flows from operations. While the Company has been successful in securing financing and identifying suitable properties to date, there is no assurance that the Company will continue to be successful in achieving these objectives. To date the Company has incurred losses since inception and expects to incur further losses in the development of its business. As at June 30, 2022, the Company had an accumulated deficit of $8,009,631 which has been funded primarily by the issuance of share capital.

The ability of the Company to realize the costs it has incurred to date on its properties is dependent upon the Company being able to identify economically recoverable reserves, to finance their development costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful development of the reserves. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory and environmental requirements.

1. CORPORATE INFORMATION (CONT'D)

Going Concern (Cont'd)

The outbreak of COVID-19 has resulted in governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, quarantine periods and social distancing, have caused an economic slowdown and material disruption to business. Governments have continued to react with interventions intended to stabilize economic conditions. While COVID-19 has not had a material impact on the company's operations, the duration and ultimate impact of the COVID-19 outbreak is unknown at the time. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial performance and financial position of the Company in future periods.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of operations for the foreseeable future. These factors may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and statement of financial position classifications that might be necessary if the Company was unable to continue as a going concern. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

a) Basis of presentation:

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants Canada Handbook. These financial statements have been prepared under the historical cost method, except for certain financial instruments measured at fair value. The Company has consistently applied the accounting policies used in preparation of these financial statements throughout all the periods presented. Critical accounting judgments and estimates used by management in the preparation of these financial statements are presented in Note 3.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency. All reference to dollars ($) are to Canadian dollars unless otherwise noted.

These condensed interim financial statements have been prepared using the same accounting policies and methods of computation as the annual consolidated financial statements of the Company as at and for the year ended December 31, 2021. Accordingly, these condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2021.

b) Accounting changes

Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after January 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its consolidated financial statements:

2. SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES (CONT'D)

b) Accounting changes (Cont'd)

Recent Accounting Pronouncements (Cont'd)

Amendments to IAS 1

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity.

The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted**.**

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37")

In May 2020, the IASB issued amendments to update IAS 37. The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

Amendments to IAS 8

In February 2021, the IASB issued Definition of Accounting Estimates, which amended IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 8 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to use estimates and judgments that affect the reported amounts of assets and liabilities, as well as revenues and expenses. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in net loss in the period in which they become known.

The recoverability of deferred expenditures is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in the properties, the ability to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and attaining profitable production.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax provision. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

Expressed in Canadian dollars unless otherwise indicated

4. MINERAL PROPERTIES

On September 5, 2017, the Company signed an option agreement with Peter Dunlop to option the Last Hope Project near Lynn Lake, Manitoba. On signing, the Company paid $65,000 and issued 1,500,000 common shares.

The Company committed to incur an aggregate of at least $250,000 per year for the four years following the execution of this agreement to an aggregate of $1,000,000 and make additional option payments as follows:

- September 5, 2018: $65,000 and an additional 1,500,000 common shares;
- September 5, 2019: $65,000;
- September 5, 2020: $65,000;
- September 5, 2021: $100,000; and
- September 5, 2022: $3,000,000

The Last Hope Project bears a 2% net smelter returns royalty with the ability to buy back 1% for $1,000,000.

5. INVESTMENT AND DIVIDEND PAYABLE

		Mar. 31, 2021
Shares of Aston Minerals Ltd.	$	---
GIC (0.75% maturing December 10, 2021)		286,767
Total	**$**	**286,767**

Prior to completing the RTO (see Note 4), the Company completed the sale of the Edelson property and received, in addition to cash, 100,000,000 common shares of European Cobalt (now operating as Aston Minerals Ltd.). The net proceeds from the sale of these shares were agreed to be distributed to the 55 North shareholders of record on July 11, 2020. The value of the Aston Minerals Ltd. shares at December 31, 2020 was $3,934,000 and the dividend payable was $3,838,994, with the $95,006 difference representing the value of the dividend attributable to the 55 North shares owned by 55 North Operations that are currently presented as held in treasury (Note 8). Any fair value adjustment in the dividend payable is adjusted through the consolidated statement of changes in equity as a dividend in the period. In April 2021, the 100,000,000 Aston Minerals shares were sold, and the Australian dollar net proceeds were converted to Canadian dollars. These funds amount to C$6,686,169 at March 31, 2021 and included in Cash on the statement of financial position. These funds were paid as an eligible dividend to shareholders of record on July 11, 2020 and distributed the week of May 2, 2021.

6. CANADA EMERGENCY BUSINESS ACCOUNT

As a result of COVID-19, the Canadian federal government created the Canada Emergency Business Account ("CEBA"), designed to provide some financial assistance to qualifying Canadian companies. In April 2020, the Company applied for this funding and received $40,000 as an unsecured, non-interest-bearing loan. This loan is due on or before December 31, 2022. If $30,000 is paid before this time, $10,000 of the loan is forgiven. If not paid by this date, the loan is extended by three years bearing interest at a rate of 5% per annum, with the loan maturing on December 31, 2025.

7. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares with each common share entitled to one vote.

Expressed in Canadian dollars unless otherwise indicated

7. SHARE CAPITAL (CONT'D)

b) Common shares issued:

	Number of Shares	Stated Capital
Balance, December 31, 2020	**104,052,862**	**$ 3,882,775**
Issued on private placement	9,550,000	985,000
Warrant allocation	---	(293,866)
Share issue costs	---	(97,001)
Flow-through premium	---	(149,650)
Balance, December 31, 2021	**113,602,862**	**$ 4,327,258**
Issued on settlement of debt	3,020,850	134,114
Warrant allocation on settlement of debt	---	(30,178)
Issued on private placement	1,707,317	70,000
Warrant allocation on settlement of debt	---	(27,391)
Share issue costs	---	(1,000)
Balance, June 30, 2022	**118,331,029**	**$ 4,472,803**

Included in the share capital balance on December 31, 2020 and March 31, 2021 are 189,206 shares held by 55 North Operations (formerly Ontario Inc.). These shares will be sold now that the Company's shares are trading on a stock exchange and are included as shares held in treasury.

On January 27, 2022, the Company completed the settlement of $56,992 of debt through the issuance of common shares of the Company (the "Debt Settlement"). Pursuant to the Debt Settlement, the Company issued 1,139,831 common shares of the Company (the "Shares") at a deemed price of $0.05 per Share to certain creditors of the Company, including a director and an officer.

On May 6, 2022, the Company completed the settlement of $77,122 of debt through the issuance of units of the Company (the "Debt Settlement"). Pursuant to the Debt Settlement, the Company issued 1,881,019 units, with each unit comprised of one common share and one common share purchase warrant. Each warrant allows the holder to purchase one common share at a price of $0.05 per share for a period of 48 months from the date of issuance.

Also on May 6, 2022, the Company closed a private placement for gross proceeds of $70,000, issuing 1,707,317 units at $0.041 per unit. Each unit consists of one common share and one warrant, with each warrant entitling the holder to acquire a common share at $0.05 per share for 48 months from the date of issuance.

8. WARRANTS

A summary of the status of the Company's outstanding warrants and changes for the year ended December 31, 2021 and the six months ended June 30, 2022 are as follows:

	2022		2021	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Balance, beginning	**59,419,010**	**$ 0.24**	**51,914,010**	**$ 0.24**
Granted	3,588,336	---	7,505,000	---
Cancelled	---	---	---	---
Expired	---	---	---	---
Balance, ending	**63,007,346**	**$ 0.24**	**59,419,010**	**$ 0.24**

Expressed in Canadian dollars unless otherwise indicated

8. WARRANTS (CONT'D)

At June 30, 2022, there were 63,007,346 warrants outstanding, with each warrant entitling the holder to acquire one common share of the Company at the prices noted below:

Number	Exercise Price	Remaining Contractual Life in Years	Expiry Date
24,300,774	$0.18	0.50	December 31, 2022
217,176	$0.61	0.47	December 18, 2022
7,132,080	$0.30	2.23	September 21, 2024
500,000	$0.20	2.23	September 21, 2024
36,800	$0.15	2.23	September 21, 2024
4,200,000	$0.30	2.30	October 15, 2024
329,600	$0.20	2.30	October 15, 2024
6,400	$0.15	2.30	October 15, 2024
9,221,133	$0.30	2.36	November 9, 2024
534,531	$0.15	2.36	November 9, 2024
6,000	$0.30	2.36	November 9, 2024
3,840,183	$0.30	2.41	November 27, 2024
141,333	$0.15	2.41	November 27, 2024
8,000	$0.20	2.41	November 27, 2024
1,333,334	$0.30	2.41	December 4, 2024
106,666	$0.15	2.41	December 4, 2024
1,500,000	$0.30	3.79	April 12, 2025
105,000	$0.30	3.79	April 12, 2025
50,000	$0.30	3.82	April 26, 2025
5,000,000	$0.20	4.04	July 15, 2026
350,000	$0.20	4.04	July 15, 2026
500,000	$0.20	4.07	July 20, 2026
3,588,336	$0.05	3.85	May 6, 2026
63,007,346	**$0.24**	**1.90**	

Notes:

(1) In August 2020, the terms of these warrants were changed to an exercise price of $0.18 and with an expiration date of December 31, 2022.

(2) In August 2020, the terms of these warrants were changed to an expiration date of December 18, 2022

(3) These compensation options entitle the holder to acquire a unit at a price of $0.20 per unit. Each unit is comprised of one common share and one warrant which can be exercised to acquire one additional common share at a price of $0.30 for a period of 48 months.

(4) These compensation options entitle the holder to acquire a unit at a price of $0.15 per unit. Each unit is comprised of one common share and one warrant which can be exercised to acquire one additional common share at a price of $0.30 for a period of 48 months.

Expressed in Canadian dollars unless otherwise indicated

9. SHARE OPTIONS

The Company may grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares reserved for issuance under all securities compensation arrangements is limited to 10% of the total number of issued and outstanding shares exercisable for a period of up to 10 years. The maximum number of shares that may be issued to any officer, director or employee shall not exceed 5% of the total number of issued and outstanding shares. The maximum number of shares that may be issued to technical consultants, including investor relation consultants, shall not exceed 2% of the total number of issued and outstanding shares.

On May 11, 2022, all of the 9,396,148 share options outstanding were cancelled.

A summary of the status of the Company's outstanding options as at June 30, 2022 and December 31, 2021 and changes during the periods then ended are as follows:

	Jun. 30, 2022		Dec. 31, 2021	
	Number	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
Balance, beginning	**9,396,148**	**$ 0.16**	**296,148**	**$** 0.51
Granted	---	---	9,100,000	$ 0.15
Cancelled	(9,396,148)	---	---	---
Balance, ending	**---**	**$ ---**	**9,396,148**	**$ 0.16**

10. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly and indirectly, include any director (whether executive or otherwise) of the Company. Total fees paid to the Company's CEO during the three and six months ended June 30, 2022 is $18,000 and $36,000, respectively (three and six months ended June 30, 2021 - $18,000 and $36,000, respectively) with $12,000 remaining in accounts payable at quarter end (June 30, 2021 - $NIL).

Total fees paid to the Company's CFO during the three and six months ended June 30, 2022 is $15,000 and $32,500, respectively (three and six months ended June 30, 2021 - $15,000 and $30,000, respectively) with $10,000 remaining in accounts payable at quarter end (June 30, 2021 - $5,000). All fees payable to the Company's CEO and CFO in 2022 have been settled with shares (see Note 7)

Total fees paid to certain directors for services rendered during the six months ended June, 30 2022 is $NIL (three and six months ended June 30, 2021 - $NIL and $30,000, respectively).

11. CAPITAL MANAGEMENT

The Company's total capital deficiency of $183,314 (December 31, 2021 - capital deficiency of $236,949) consists of $30,000 (December 31, 2021 - $30,000) Canada Emergency Business Account, $4,472,803 (December 31, 2021 - $4,327,258) of share capital, warrants reserve of $2,370,737 (December 31, 2021 - $2,313,168), $1,013,740 (2021 - $1,013,740) of contributed surplus, and a deficit of $8,070,594 (December 31, 2021 - $7,921,115).

The Company's objectives when managing capital, which consists of shareholders' equity, are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

11. CAPITAL MANAGEMENT (CONT'D)

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital from time-to-time using a variety of measures. Monitoring procedures are typically performed as a part of the overall management of the Company's operations. The Company's strategy during the period, which was unchanged from the prior period, was to maintain its ability to secure access to financing at a reasonable cost. The requirements and terms of sources of capital cannot be predicted and change in ways the Company cannot predict.

12. RISK MANAGEMENT AND FAIR VALUES

Management's risk management policies are typically performed as a part of the overall management of the Company's operations. Management is aware of risks related to these objectives through direct personal involvement with employees and outside parties. In the normal course of its business, the Company is exposed to a number of risks that can affect its operating performance. Management's close involvement in operations helps identify risks and variations from expectations. The Company has not designated transactions as hedging transactions to manage risk. As a part of the overall operation of the Company, management considers the avoidance of undue concentrations of risk. The risks and the actions taken to manage them include the following:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company's main sources of liquidity are external sources of debt and equity. The funds are primarily used to finance working capital and capital expenditure requirements. The Company's current liabilities exceed its current assets by $183,314.

Accounts payable, accrued liabilities, advance payable due to related parties and promissory note payable are due within one year.

Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company has credit policies to address credit risk on accounts receivable, which may include the analysis of the financial position of the debtor and review of credit limits. The Company also may review credit history before establishing credit and review credit performance. An allowance for doubtful accounts or other impairment provisions are established based upon factors surrounding credit risk, historical trends and other information.

A financial asset is past due when a debtor has failed to make a payment when contractually due. The Company has no financial assets that are past due and does not have an allowance for doubtful accounts receivable.

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. Changes in the applicable exchange rate may result in a decrease or increase in foreign exchange income or expense. The Company only enters into transactions in Canadian dollars and is not exposed to currency risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Obtaining a promissory note with a fixed interest rate minimizes cash flow risk.

12. RISK MANAGEMENT AND FAIR VALUES (CONT'D)

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. Mineral prices are affected by numerous factors such as the sale or purchase by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the US dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

Fair values

The fair values of the Company's financial assets and liabilities consisting of cash, accounts receivable, advances to related party, accounts payable, due to related parties and promissory note payable approximate their recorded values as at June 30, 2022 and December 31, 2021 due to their short-term nature.

Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. The estimate of fair value at the end of the periods may not represent fair values at any other date. The determination of fair value is also affected by the use of judgment and by uncertainty.

13. CONTINGENCY

In the normal course of operations, the Company may become subject to a variety of legal and other claims. Management and legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Although the outcome of existing legal and other claims are not reasonably determinable, management believes that any such outcome will not be material.

14. SUBSEQUENT EVENTS

On July 26, 2022, the Company issued 7,350,000 incentive share options to officers, directors, employees and consultants with each option having a 5-year term and an exercise price of $0.02. The value of these options was calculated using the Black-Scholes option pricing model under the following weighted average assumptions: share price - $0.02; risk free rate of return – 2.87%; annualized volatility - 100%; expected life - 5 years; dividend yield - 0%. The Company recognized a share-based compensation expense of $110,985 related to the vesting that occurred.