

# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

## **Consolidated Financial Statements**

For the Years Ended December 31, 2021 and 2020

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Palladium One Mining Inc.

### *Opinion*

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

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

### *Basis for Opinion*

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

### *Other Information*

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

Vancouver, Canada

Chartered Professional Accountants

March 25, 2022

**PALLADIUM ONE MINING INC.**

(An Exploration Stage Company)

Consolidated Statements of Financial Position

As at December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note(s)	2021	2020
<b>Assets</b>			
Current assets:			
Cash		\$ 15,060,023	\$ 7,231,563
Sales tax recoverable		442,512	330,831
Prepaid expense and deposits	6	187,859	80,430
Total current assets		15,690,394	7,642,824
Non-current assets:			
Reclamation deposits		30,942	-
Equipment		2,696	-
Total assets		\$ 15,724,032	\$ 7,642,824
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	5, 12	\$ 386,491	\$ 985,857
Flow-through premium liability	7	1,623,386	857
Total liabilities		2,009,877	986,714
<b>Shareholders' equity:</b>			
Capital Stock	8	35,665,534	18,721,062
Reserves	8	2,054,316	1,257,816
Deficit		(24,005,695)	(13,322,768)
Total shareholders' equity		13,714,155	6,656,110
Total shareholders' equity and liabilities		\$ 15,724,032	\$ 7,642,824

Nature and continuance of operations (Note 1)

On behalf of the Board:

"Derrick Weyrauch"

Director

"Lawrence Roulston"

Director

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

**PALLADIUM ONE MINING INC.**

(An Exploration Stage Company)

Consolidated Statements of Operations and Comprehensive Loss

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Note(s)	2021	2020
<b>Expenses</b>			
Exploration and evaluation	4, 12	\$ 8,851,021	\$ 3,533,662
Investor relations		361,385	753,146
Management and consulting	12	939,883	293,810
Professional fees		207,254	224,736
Transfer agent and filing fees		120,686	55,836
Foreign exchange loss		67,242	52,910
General and administrative	12	198,886	111,102
Share-based compensation	8, 12	444,102	-
Depreciation		353	-
<b>Total expenses</b>		<b>(11,190,812)</b>	<b>(5,025,202)</b>
<b>Other income</b>			
Amortization of flow-through premium liability	7	404,091	132,702
Interest income		103,794	32,326
<b>Total other income</b>		<b>507,885</b>	<b>165,028</b>
<b>Loss and comprehensive loss for the year</b>		<b>\$ (10,682,927)</b>	<b>\$ (4,860,174)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.05)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>231,782,052</b>	<b>129,174,665</b>

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

**PALLADIUM ONE MINING INC.**

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	2021	2020
<b>Operating activities</b>		
Loss for the year	\$ (10,682,927)	\$ (4,860,174)
Items not requiring an outlay of cash:		
Depreciation of Equipment	353	-
Shares issued for earn-in acquisition	2,350	-
Amortization of flow-through premium liability	(404,091)	(132,702)
Share-based compensation	444,102	-
Shares issued for net smelter royalty buyback	-	73,125
<b>Net change in non-cash working capital balances</b>		
Accounts payable and accrued liabilities	(667,854)	764,502
Prepaid expense and deposits	(107,429)	(5,805)
Sales tax recoverable	(111,681)	(281,249)
Net cash used in operating activities	(11,527,177)	(4,442,303)
<b>Financing activities</b>		
Proceeds from bought deal and private placements	19,359,000	1,134,390
Bought deal and private placements share issuance costs	(1,587,482)	(28,975)
Proceeds from options exercised	140,500	6,000
Proceeds from warrants exercised	1,477,610	6,782,275
Cash provided by financing activities	19,389,628	7,893,690
<b>Investing Activities</b>		
Reclamation deposits	(30,942)	-
Acquisition of Equipment	(3,049)	-
Cash used in investing activities	(33,991)	-
Increase in cash	7,828,460	3,451,387
Cash, beginning of the year	7,231,563	3,780,176
<b>Cash, end of the year</b>	<b>\$ 15,060,023</b>	<b>\$ 7,231,563</b>
<b>Supplemental disclosures with respect to cash flows:</b>		
Cash paid during the year for income taxes	\$ -	\$ -
Cash paid during the year for interest	\$ -	\$ -
<b>Non-cash items:</b>		
Flow through premium	\$ 2,026,620	\$ 128,161
Fair value of finders'/broker's warrants	\$ 431,601	\$ 3,894
Fair value transfer of options exercised	\$ 75,307	\$ 2,394
Fair value transfer of finders' warrants exercised	\$ 3,896	\$ 52,226
Share issuance costs included in accounts payable and accrued liabilities	\$ 68,488	\$ -

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

## PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

	Number of shares	Capital stock	Reserves	Deficit	Shareholder's equity
<b>Balance at December 31, 2019</b>	<b>109,792,349</b>	<b>\$ 10,831,682</b>	<b>\$ 1,308,542</b>	<b>\$ (8,462,594)</b>	<b>\$ 3,677,630</b>
Shares issued for net smelter royalty					
buyback	375,000	73,125	-	-	73,125
Private placements	11,143,000	1,134,390	-	-	1,134,390
Share issuance costs – cash	-	(28,975)	-	-	(28,975)
Share issuance costs – finders' warrants	-	(3,894)	3,894	-	-
Warrants Exercised	58,007,503	6,834,501	(52,226)	-	6,782,275
Options Exercised	75,000	8,394	(2,394)	-	6,000
Flow-Through premium	-	(128,161)	-	-	(128,161)
Loss for the year	-	-	-	(4,860,174)	(4,860,174)
<b>Balance at December 31, 2020</b>	<b>179,392,852</b>	<b>\$ 18,721,062</b>	<b>\$ 1,257,816</b>	<b>\$ (13,322,768)</b>	<b>\$ 6,656,110</b>
Bought deal and private placements	64,600,000	19,359,000	-	-	19,359,000
Share issuance costs – cash	-	(1,655,970)	-	-	(1,655,970)
Share issuance costs – brokers' warrants	-	(431,601)	431,601	-	-
Warrants Exercised	11,418,500	1,481,506	(3,896)	-	1,477,610
Options Exercised	1,100,000	215,807	(75,307)	-	140,500
Share-based compensation	-	-	444,102	-	444,102
Flow-Through premium	-	(2,026,620)	-	-	(2,026,620)
Shares issued for earn-in agreement	10,000	2,350	-	-	2,350
Loss for the year	-	-	-	(10,682,927)	(10,682,927)
<b>Balance at December 31, 2021</b>	<b>256,521,352</b>	<b>\$ 35,665,534</b>	<b>\$ 2,054,316</b>	<b>\$ (24,005,695)</b>	<b>\$ 13,714,155</b>

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



# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 1. Nature and continuance of operations

Palladium One Mining Inc. ("Palladium" or the "Company") is a mineral exploration company listed on the TSX Venture Exchange ("TSX-V") under the symbol "PDM". The Company was incorporated under the *Business Corporations Act of British Columbia* on January 16, 2007. The Company's head office is located at Suite 3704-88 Scott Street, Toronto, ON, M5E 0A9. The Company's registered and records office is 25th floor, 666 Burrard Street, Vancouver, BC, V6C 2X8.

These financial statements were authorized for issue by the Company's Board of Directors on March 25, 2022.

Going concern

The Company's ability to continue as a going concern is dependent upon its ability to fund its exploration and evaluation programs. These consolidated financial statements have been prepared on a going concern basis and do not reflect the adjustments to the carrying value of assets and liabilities and the reported expenses and statement of financial position classification that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of business operations. Such adjustments could be material.

Management has applied judgement in the assessment of the Company continuing as a going concern by taking into account all available information. Management estimates that the going concern assumption is appropriate for at least the next twelve months following the reporting date of these statements.

The business of 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 exploration properties and the Company's continued existence are 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.

COVID-19 Pandemic

The COVID-19 global pandemic has adversely affected the global economy. The Company follows all Canadian and Finnish COVID protocols, and has continued to safely conduct exploration on both the Finnish and Canadian properties. In the year ended December 31, 2021 there has been no material COVID-19 disruptions, however, the Company continues to closely monitor the situation to mitigate the risks.

## 2. Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. Certain balances on the statement of operations and comprehensive loss were reclassified to conform with current year presentation.

### Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). These consolidated financial statements, including comparative financial information have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS").

# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

## 3. Summary of significant accounting policies

### Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Tyko Resources Inc. and Nortec Mineral Oy (“Nortec”). All inter-company transactions and balances have been eliminated upon consolidation.

Name of subsidiary	Country of incorporation	Proportion of ownership interest	Principal activity
Tyko Resources Inc.	Canada	100%	Mineral exploration
Nortec Mineral Oy.	Finland	100%	Mineral exploration

### Mineral exploration and evaluation expenditures

Exploration and evaluation costs are recognized in profit or loss. Costs incurred before and after the Company has obtained the legal rights to explore an area of interest are recognized in profit or loss until such time the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, after which such costs are capitalized. Upon achieving production, costs for a producing property will be amortized on a unit of-production method based on the estimated life of the ore reserves. The recoverability of the amounts capitalized for the undeveloped exploration and evaluation assets is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

### Financial instruments

The Company's financial instruments are classified and subsequently measured in the following categories: amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”). The classification is determined at initial recognition. A financial asset is derecognized when the contractual rights to cash flows from the financial asset expire, or when all associated risks and rewards of ownership of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

#### i) Financial assets and liabilities at amortized cost

Financial assets and liabilities categorized as amortized costs are initially recognized at fair value, adjusted for transaction costs, and subsequently carried at amortized cost less any impairment. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Gains and losses on derecognition of financial assets and liabilities categorized as amortized costs are recognized in the statements of operations and comprehensive loss.

#### ii) Financial assets at FVTOCI

Investments in equity instruments categorized as FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income, and with gains and losses on derecognition of such assets remaining in accumulated other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

#### iii) Financial assets and liabilities at FVTPL

Financial assets and liabilities categorized as FVTPL are recorded initially at fair value and transaction costs are expensed in the statements of operations and comprehensive loss. Realized and unrealized gains and losses arising from changes in financial assets and liabilities classified as FVTPL are recognized in the statements of operations and comprehensive loss in the period they are realized.

# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 3. Summary of significant accounting policies (continued)

### Impairment of Financial Instruments

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with financial assets measured at amortized cost, contract assets and debt instruments carried at FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### Income taxes

Income tax expense is comprised of current and deferred taxes. Current and deferred taxes are recognized in net income except to the extent that they relate to a business combination or items recognized directly in equity or profit or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is possible that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### Provisions

Provisions are recognized for liabilities of uncertain timing or amounts that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

#### *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 expensed in the statements of operations and comprehensive loss 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 Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset 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 year.

For the years presented the Company has no provisions for environmental rehabilitation.

# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 3. Summary of significant accounting policies (continued)

### Capital stock

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, share options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The Company uses the residual approach when allocating the fair value of the share purchase warrants issued in conjunction with the offering of units through a private placement. The Company determines the fair value of the common share and the residual value is allocated to the share purchase warrant for unit offerings that contain a common share and a share purchase warrant. For warrants issued to brokers or agents as a part of a financing transaction, fair value is determined using the Black Scholes Option Pricing Model and recorded in share capital and reserves as issuance costs.

### *Flow-through shares*

The Company will from time-to-time issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) capital stock. The flow through liability is amortized based on the eligible flow through expenditures in the period as a percentage of flow through expenditures required and is recognized as amortization of flow-through premium liability in profit or loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

### Share-based compensation

The Company applies the fair value method of accounting for all stock option awards. Under this method, share-based compensation expense attributed to the award of options to employees is measured at the fair value of the award on the date of grant and is recognized over the vesting period of the award. Share-based compensation to non-employees are valued based on the fair value of the service received, if reliably determinable, otherwise based on the fair value of the award granted. Valuation is calculated based on the date at which the Company receives the service. If and when the stock options are ultimately exercised, the applicable amounts of other equity reserves are transferred to capital stock.

The fair value of instruments granted is measured using the Black-Scholes Option Pricing Model, taking into account the terms and conditions under which the instruments are granted. The fair value of the awards is adjusted by an estimate of the number of awards that are expected to vest as a result of non-market conditions. At each statement of financial position date, the Company revises its estimates of the number of options that are expected to vest based on the non-market conditions including the impact of the revision to original estimates, if any, with corresponding adjustments to equity.

### Foreign currency translation

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

Transactions in currencies other than the functional currency for an entity are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical

# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 3. Summary of significant accounting policies (continued)

rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the profit or loss.

### Loss per share

Basic and diluted loss per share data for its common shares is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares, if dilutive. When the Company is incurring losses, basic and diluted loss per share are the same since including the exercise of outstanding options and warrants in the diluted loss per share calculation would be anti-dilutive.

### Critical accounting estimates and judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

#### *Significant judgements*

##### Going Concern

In the preparation of these consolidated financial statements, the Company made judgements related to the going concern of the Company as discussed in Note 1.

#### *Critical estimates*

##### Share-based Compensation Transactions

The Company measures the cost of options granted for goods and services with reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

##### Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## 3. Summary of significant accounting policies (continued)

### **New accounting standards and interpretations**

The International Accounting Standards Board continually issues new and amended standards and interpretations which may need to be adopted by the Company. The Company continually assesses the impact that the new and amended standards and interpretations may have on its financial statements or whether to early adopt any of the new requirements. No new or amended standards and interpretations have affected the financial statements for December 31, 2021.

### **New accounting standards issued but not yet adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing 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 following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e., costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfil the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

# PALLADIUM ONE MINING INC.

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## 4. Exploration and evaluation expenditures

The Company incurred the following expenditures on its properties during the year:

<b>E&amp;E Expenditures</b>	December 31, 2021	December 31, 2020
<b>LK Project:</b>		
Acquisition costs - Net Smelter Royalty ("NSR") buyback	\$ -	\$ 130,000
Assays	972,620	263,877
Geophysical Surveys	147,310	377,368
Permits/Reservations	192,690	229,276
Drilling	2,816,622	1,180,676
Field costs	302,604	68,928
Geological consulting and reports	1,212,252	536,737
Mobilization/Demobilization	-	44,437
Travel and support	195,404	141,468
Equipment Rental	41,441	28,164
Other exploration & evaluation	433,386	-
Meals	8,240	-
	<b>6,322,569</b>	<b>3,000,931</b>
<b>Tyko Project:</b>		
Acquisition Costs - Earn-in agreement	6,350	-
Assays	64,740	24,610
Geophysical Surveys	622,779	24,732
Drilling	493,814	167,371
Field costs	139,368	5,021
Geological consulting and reports	243,047	130,203
Mobilization/Demobilization	125,340	216
Staking and line cutting	6,034	5,868
Travel and support	46,939	10,793
Equipment Rental	83,790	29,321
	<b>1,832,201</b>	<b>398,135</b>
<b>Disraeli Project</b>		
Acquisition cost of Disraeli	-	5,000
Assays	9,225	5,318
Geophysical Surveys	36,994	43,912
Drilling	124,753	-
Field costs	121,859	702
Geological consulting and reports	143,136	32,055
Mobilization/Demobilization	79,677	5,967
Staking and line cutting	-	33,254
Travel and support	10,966	2,548
Equipment Rental	169,641	5,840
	<b>696,251</b>	<b>134,596</b>
	<b>\$ 8,851,021</b>	<b>\$ 3,533,662</b>

### LK Project

The Company holds a 100% interest in the Lantinen Koillismaa Platinum Group Element-Copper-Nickel (PGE-Cu-Ni) project ("LK Project") located in North-central Finland.

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## 4. Exploration and evaluation expenditures (continued)

### KS Project

The Company holds a 100% interest in the Kostonjarvi Platinum Group Element-Copper-Nickel (PGE-Cu-Ni) project ("KS Project") located in North-central Finland adjacent to the LK project.

On January 16, 2020, the Company bought back an existing 2% Net Smelter Return ("NSR") royalty in respect of the historic Haukiaho deposit and surrounding properties. The terms of the royalty buyback included a cash payment of \$50,000 and issuance of 375,000 common shares

### Tyko Project

The Company holds a 100% interest in the Tyko Project, located in Northwestern Ontario.

### Disraeli Lake Project

The Company holds a 100% interest in the Disraeli Lake project located near Thunder Bay, Ontario. The project was acquired on February 5, 2020 by making a cash payment of \$5,000 and incurring \$56,000 in exploration expenditures, which was fulfilled by the end of March 2020. In addition, the Company has the right at any time following the closing date of the sale, but before the eighth anniversary of the closing date to purchase from the vendor one-half of the NSR by way of a one-time payment to the vendor of \$1,000,000 and thereby reduce the royalty rate payable to the vendor from 1.0% to 0.5%.

## 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of payables to vendors. The breakdowns of accounts payable and accrued liabilities are as follows:

	December 31, 2021	December 31, 2020
Accounts Payable	\$ 193,494	\$ 961,991
Accrued Liabilities	192,997	23,866
	<u>\$ 386,491</u>	<u>\$ 985,857</u>

## 6. Prepaid expense and deposits

The breakdowns of prepaid expense and deposits are as follows:

	December 31, 2021	December 31, 2020
Prepaid deposits	\$ 86,788	\$ 26,050
Conferences and investor relations	65,825	9,714
Other	35,246	44,666
	<u>\$ 187,859</u>	<u>\$ 80,430</u>

## 7. Flow-through premium liability

Transactions related to the recognition and amortization of the flow-through premium liability are summarized as follows:

	December 31, 2021	December 31, 2020
Balance, beginning of year	\$ 857	\$ 5,398
Deferred premium liability recognized on flow-through issuances	2,026,620	128,161
Income recognized based on corresponding eligible expenditures	(404,091)	(132,702)
Balance, end of year	<u>\$ 1,623,386</u>	<u>\$ 857</u>

As at December 31, 2021, the Company has an obligation to spend \$5,083,147 (2020 - \$11,995) by December 31, 2022 (2020 - December 31, 2021) in relation to flow-through proceeds.



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## 8. Capital stock and reserves

### Authorized capital

The authorized capital stock of the Company consists of an unlimited number of common shares with no par value. As at December 31, 2021, the Company had 256,521,352 (2020 – 179,392,852) common shares issued and outstanding.

#### a) Shares

*Transactions for the year ended December 31, 2021 were as follows:*

#### Bought deal and private placements

On February 24, 2021, the Company completed a bought deal, short-form prospectus offering and issued 43,100,000 units at a price of \$0.29 per unit for gross proceeds \$12,499,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.45 per share. The warrants were allocated a value of \$nil using the residual value allocation method.

The Company incurred 6% commission fees totaling \$749,940 and issued 2,586,000 brokers' warrants with a fair value of \$341,040, exercisable at \$0.29 for two years from closing date.

On February 24, 2021, the Company also completed a private placement of flow through units for gross proceeds of \$2,510,000. The Company issued 5,000,000 charity flow-through units at a price of \$0.40 per unit and 1,500,000 flow-through units at a price of \$0.34 per unit. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share for a period of two years from closing at a price of \$0.45 per share. The warrants were allocated a value of \$nil using the residual value allocation method.

The Company incurred 6% commission fees totaling \$150,600 and issued 300,000 brokers' warrants with a fair value of \$30,778 exercisable at \$0.40 and 90,000 brokers' warrants with a fair value of \$10,549 exercisable at \$0.34 for two years from closing date.

On December 16, 2021, the Company completed a private placement and issued 15,000,000 flow-through shares at a price of \$0.29 per share for gross proceeds of \$4,350,000. The company incurred finder fees of \$261,000 and issued 900,000 finders warrants with a fair value of \$49,234 exercisable at \$0.29 for two years from closing date.

Professional and exchange fees related to the financings in 2021 were \$494,430. These fees were in addition to the commission and finders' fees paid.

Flow through liabilities totaling \$2,026,620 were recognized with respect to the company's share financings in the year ended December 31, 2021 (Note 7).

#### Warrant and option exercises

During the year ended December 31, 2021, 11,418,500 shares were issued upon warrants exercised for proceeds of \$1,477,610. A total of \$3,896 was reallocated from reserves to capital stock in connection with warrants exercised.

During the year ended December 31, 2021, 1,100,000 shares were issued upon options exercised for proceeds of \$140,500. A total of \$75,307 was reallocated from reserves to capital stock in connection with options exercised.

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## 8. Capital stock and reserves (continued)

*Transactions for the year ended December 31, 2020 were as follows:*

### Private placements

On May 20, 2020, the Company completed the first tranche of its private placement of flow through units for gross proceeds of \$1,057,950. The Company issued 2,700,000 charity flow-through units at a price of \$0.13 per unit and 7,855,000 flow-through units at a price of \$0.09 per unit. Each unit is comprised of one common share, one-half of one Common Share purchase warrant exercisable at \$0.13 for 12 months, then \$0.22 for the following 12 months. The Company incurred finders' fees totaling \$28,975 and issued 67,500 finders' warrants with a fair value of \$3,894, exercisable at \$0.13 for 12 months, then \$0.22 for the following 12 months. A flow through liability of \$128,161 was recognized with respect to these flow through shares.

On May 26, 2020, the Company completed the second tranche of its private placement of charity flow through units, for gross proceeds of \$76,440. The Company issued 588,000 charity flow-through units at a price of \$0.13 per unit. Each unit is comprised of one common share, one-half of one Common Share purchase warrant exercisable at \$0.13 for 12 months, then \$0.22 for the following 12 months.

### Shares for Net Smelter Royalty buyback

On January 16, 2020, the Company bought back an existing 2% Net Smelter Return ("NSR") royalty in respect of the historic Haukiahio deposit and surrounding properties. The terms of the royalty buyback included a cash payment of \$50,000 and on January 20, 2020, the Company issued 375,000 common shares at a price of \$0.195, with a fair value of \$73,125.

### Warrant and option exercises

During the year ended December 31, 2020, 58,007,503 shares were issued upon exercise of warrants for proceeds of \$6,782,275. A total of \$52,226 was reallocated from reserves to capital stock in connection with warrants exercised.

During the year ended December 31, 2020, 75,000 shares were issued upon exercise of options for proceeds of \$6,000. A total of \$2,394 was reallocated from reserves to capital stock in connection with options exercised.

### **b) Warrants**

The number and weighted average exercise prices of warrants are as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding warrants, December 31, 2019	69,650,499	\$ 0.17
Granted	5,639,000	0.13
Exercised	(58,007,503)	0.17
Expired	(4,410,000)	0.19
Outstanding warrants, December 31, 2020	12,871,996	0.13
Granted	28,676,000	0.43
Exercised	(11,418,500)	0.13
Expired	(1,453,496)	0.17
Outstanding warrants, December 31, 2021	28,676,000	\$ 0.43

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## 8. Capital stock and reserves (continued)

As at December 31, 2021, warrants enabling the holders to acquire common shares are as follows:

Expiry date	Number of warrants	Weighted average remaining life in years	Weighted average exercise price
2/24/2023	24,800,000	1.15	\$ 0.45
2/24/2023	2,586,000	1.15	0.29
2/24/2023	90,000	1.15	0.34
2/24/2023	300,000	1.15	0.40
12/16/2023	900,000	1.96	0.29
	28,676,000	1.18	\$ 0.43

Warrant valuations in the years ended December 31, 2021 and 2020 were based on the following assumptions:

	2021	2020
Forfeiture rate	0.00%	0.00%
Estimated risk-free rate	0.23% - 0.90%	0.30%
Expected volatility	75%	191.41%
Estimated annual dividend yield	0.00%	0.00%
Expected life of warrants	2 years	2 years
Weighted average fair value	\$0.05 – \$0.13	\$0.06

### c) Restricted Share Unit Plan

The Company has established a Restricted Share Unit (“RSU”) Plan that provides for the issuance of RSUs enabling the directors to grant RSUs to employees, officers, directors, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for Stock Options and/or RSUs provided that the total number of shares reserved for issuance by the Board shall not exceed 23,300,000. RSUs are non-assignable and may be granted for a term not exceeding three years.

On March 15 and November 15, 2021, 1,275,862 and 1,341,100 RSUs respectively (2020 – nil) were issued to directors, officers, consultants and advisors respectively, with a three-year vesting period, thereby expiring on March 15 and November 15, 2024.

For the year ended December 31, 2021, the Company recognized share-based compensation expense related to RSUs in the amount of \$110,723. (2020 - nil).

### d) Stock option plan

The Company has established a Stock Option Plan that provides for the issuance of stock options (the “Options”) enabling the directors to grant Options to employees, officers, directors, and consultants of the Company. From time to time, shares may be reserved by the Board, in its discretion, for Options and/or RSUs provided that the total number of shares reserved for issuance by the Board shall not exceed 23,300,000. Options are non-assignable and may be granted for a term not exceeding that permitted by the Exchange, currently ten years. Options issued are subject to vesting terms determined by the Board of Directors.

On March 15, 2021, 775,000 stock options were issued to directors, officers, consultants and advisors, exercisable at a price of \$0.29 per common share with 1/3 vesting immediately and 1/3 every year thereafter with a five-year term.

On November 15, 2021, 4,450,000 stock options were issued to directors, officers, consultants and advisors, exercisable at a price of \$0.22 per common share with 1/3 vesting immediately and 1/3 every year thereafter with a five-year term.

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## 8. Capital stock and reserves (continued)

The Company recognized share-based compensation expense of \$333,379 during the year ended December 31, 2021 (2020 - nil) related to stock options. The Black-Scholes option pricing model was used for the valuation of stock options granted using the following assumptions:

	2021	2020
Forfeiture rate	0.00%	N/A
Estimated risk-free rate	1.02% - 1.48%	N/A
Expected volatility	75%	N/A
Estimated annual dividend yield	0.00%	N/A
Expected life of options	5 years	N/A
Fair value	\$0.13 - \$0.17	N/A

The number and weighted average exercise prices of the stock options are as follows:

	Number of options	Weighted average exercise price
Outstanding options, December 31, 2019	8,862,500	\$ 0.13
Exercised	(75,000)	0.08
Forfeited	(50,000)	0.08
Outstanding options, December 31, 2020	8,737,500	0.13
Granted	5,225,000	0.23
Exercised	(1,100,000)	0.13
Expired	(287,500)	0.27
Outstanding options, December 31, 2021	12,575,000	\$ 0.17

As at December 31, 2021, the Company had outstanding and exercisable stock options as follows:

Expiry date	Number of options outstanding	Weighted average remaining life in years	Exercise price	Number of options exercisable
6/7/2024	2,050,000	2.44	\$0.08	2,050,000
9/30/2024	1,000,000	2.75	0.08	1,000,000
12/29/2024	4,300,000	3.00	0.15	4,300,000
3/15/2026	775,000	4.21	0.29	258,334
11/15/2026	4,450,000	4.88	0.22	1,483,332
	<b>12,575,000</b>	<b>3.63</b>	<b>\$0.17</b>	<b>9,091,666</b>

## 9. Income Taxes

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

	2021	2020
Net loss for the year	\$ (10,682,927)	\$ (4,860,174)
Expected income tax (recovery)	\$ (2,884,000)	\$ (1,312,000)
Change in statutory, foreign tax, foreign exchange rates and other	564,000	125,000
Permanent differences	42,000	-
Impact of flow through share	683,000	306,000
Share issue cost	(564,000)	(8,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(268,000)	(14,000)
Change in unrecognized deductible temporary differences	2,427,000	903,000
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

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## 9. Income taxes (continued)

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

	2021	2020
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 360,000	\$ 632,000
Share issue costs	468,000	25,000
Allowable capital losses	9,000	10,000
Non-capital losses available for future period	3,563,000	1,306,000
	4,400,000	1,973,000
Unrecognized deferred tax assets	(4,400,000)	(1,973,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

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

	2021	Expiry Date Range	2020	Expiry Date Range
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 1,335,000	No expiry date	\$ 2,850,000	No expiry date
Property and equipment	2,000	No expiry date	-	No expiry date
Share issue costs	1,733,000	2042 to 2045	97,000	2041 to 2044
Allowable capital losses	34,000	No expiry date	38,000	No expiry date
Non-capital losses available for future periods	15,758,000	2031 to 2041	4,887,000	2033 to 2039
Canada	5,877,000	2031 to 2041	4,654,000	2033 to 2039
Finland	9,881,000	2028 to 2031	233,000	2021 to 2034

## 10. Nature and extent of risks arising from financial instruments

As at December 31, 2021, the Company's financial instruments consist of cash, sales tax recoverable and accounts payable and accrued liabilities. The fair values of financial assets and financial liabilities carried at amortized cost approximate their carrying amounts due to the short-term maturity of the instruments.

Financial instruments measured at fair value are classified in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value, as follows:

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

The fair value of cash is based on Level 1 inputs of the fair value hierarchy.

The Company is exposed to a varying degree of risks related to financial instruments. Management actively monitors and manages these risks. How management mitigates these risks are discussed below:

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash and sales tax receivables. The Company's cash is held through large financial institutions in Canada and Finland. At December 31,

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## 10. Nature and extent of risks arising from financial instruments (continued)

2021, the Company's receivables consist of sales tax receivable due from the Government of Canada and Finland of \$442,512 (December 31, 2020 - \$330,831). Management believes the risk of loss to be not significant.

### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds and meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 11. As at December 31, 2021, the Company had working capital of \$13,680,517 (December 31, 2020 - \$6,656,110). However, the Company has an accumulated deficit of \$24,005,695 (December 31, 2020 - \$13,322,768). The continuation of the Company depends upon the support of its equity investors, which cannot be assured.

### *Other Market Price Risk*

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of palladium, platinum and nickel, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### *Currency risk*

The Company has transactions internationally and is exposed to foreign exchange risk from the Euro currency. Foreign exchange risk arises from financing and purchase transactions that are denominated in currency other than the Canadian Dollar, which is the functional currency of the Company. As at December 31, 2021, the Company held in Euros the Canadian dollar equivalent of \$992,344 (December 31, 2020 - \$236,417) in cash, \$30,942 in reclamation deposits (December 31, 2020 - \$nil), \$190,619 in sales tax recoverable (December 31, 2020 - \$276,100), and \$120,304 in accounts payable and accrued liabilities (December 31, 2020 - \$624,864). A 10% increase or decrease in the Euro would increase or decrease net loss by \$109,400 (December 31, 2020 - \$38,900).

### *Interest risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to interest rate risk with respect to its cash flow. As at December 31, 2021, the Company is not exposed to significant interest rate risk.

## 11. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include all components of equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There were no changes in the Company's approach to capital management during the year ended December 31, 2021. The Company is not subject to externally imposed capital requirements.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to 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 issue common shares through private placements.

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## 12. Related party transactions

### a) Key management compensation

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides stock options and RSUs. Remuneration of key management includes the following:

	Year ended December 31, 2021	Year ended December 31, 2020
Management and consulting <sup>(1)</sup>	\$ 698,019	\$ 289,510
Share based compensation <sup>(2)</sup>	265,709	-
<b>Total remuneration</b>	<b>\$ 963,728</b>	<b>\$ 289,510</b>

(1) Represents:

- Executive and officer compensation
- Dr. Peter Lightfoot, independent director of the Company is a related party to the Company and is the owner of Lightfoot Geoscience Inc. ("Lightfoot"). Lightfoot is retained periodically to provide technical assistance with regard to exploration activities and project evaluations,
- Lawrence Roulston, independent director of the Company is a related party to the Company and is the owner of ResOpp Publishing Corp. ("ResOpp"). ResOpp is retained periodically to provide technical assistance with regard to exploration activities and project evaluations.

(2) Represents the fair-value of stock options and RSUs granted to directors and officers.

### b) Related party transactions and balances not disclosed elsewhere in these consolidated financial statements are as follows:

As at December 31, 2021, the Company owed \$32,509 (December 31, 2020 - \$84,222) and during the year ended December 31, 2021, has paid or accrued \$979,219 (2020 - \$593,799) to Fladgate Exploration Consulting Corp, a corporation related to the Vice President - Exploration, which was related to exploration and evaluation expenses and for project management services. The amount owing was included in accounts payable and accrued liabilities and is unsecured, non-interest bearing and is expected to be repaid under normal trade terms.

As at December 31, 2021, the Company owed \$10,217 (December 31, 2020 - \$nil) and during the year ended December 31, 2021, has paid \$36,000 (2020 - \$27,000) to a person related to the CEO for costs related to office rental in Toronto. The amount owing was included in accounts payable and accrued liabilities and is unsecured, non-interest bearing and is expected to be repaid under normal trade terms.

During the year ended December 31, 2021, the Company paid \$nil (2020 - \$40,000) to Weyrauch and Associates Inc., a company owned by a related person to the CEO for administrative services.

As at December 31, 2021, the Company owed officers of the Company \$6,956 (2020 - \$nil) for miscellaneous expense reimbursements and accrued payroll. The amount owing was included in accounts payable and accrued liabilities and is unsecured, non-interest bearing and is expected to be repaid under normal trade terms.

## 13. Segmented information

The Company has one reportable operating segment being the acquisition, exploration and evaluation of mineral properties. For the periods presented, all of the Company's long-term assets are located in Canada and Finland.