# PALLADIUM ONE MINING INC.

(An Exploration Stage Company)

(Expressed in Canadian Dollars)

**Condensed Interim Consolidated Financial Statements**

For the Three and Six Months Ended June 30, 2022 and 2021

**Index**

## NOTICE OF NON-REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that these condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The attached condensed interim consolidated financial statements for the three and six months ended June 30, 2022 have not been reviewed by the Company's auditors.

**PALLADIUM ONE MINING INC.**
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2022 and December 31, 2021
(Expressed in Canadian Dollars)

| | Note(s) | June 30 2022 | December 31 2021 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash | | **$ 11,307,637** | $ 15,060,023 |
| Sales tax recoverable | | **165,828** | 442,512 |
| Prepaid expense and deposits | 7 | **200,810** | 187,859 |
| Total current assets | | **11,674,275** | 15,690,394 |
| Non-current assets: | | | |
| Reclamation deposits | | **28,955** | 30,942 |
| Equipment | | **2,191** | 2,696 |
| **Total assets** | | **$ 11,705,421** | **$ 15,724,032** |
| **Liabilities and Shareholders' Equity** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | 6, 12 | **$ 557,233** | $ 386,491 |
| Flow-through premium liability | 8 | **1,119,373** | 1,623,386 |
| Total liabilities | | **1,676,606** | 2,009,877 |
| **Shareholders' equity:** | | | |
| Capital Stock | 9 | **35,865,534** | 35,665,534 |
| Reserves | 9 | **2,332,646** | 2,054,316 |
| Deficit | | **(28,169,365)** | (24,005,695) |
| Total shareholders' equity | | **10,028,815** | 13,714,155 |
| Total shareholders' equity and liabilities | | **$ 11,705,421** | **$ 15,724,032** |

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)
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the three and six months ended June 30, 2022 and 2021
(Expressed in Canadian Dollars)

| | Note(s) | 3 months ended June 30, 2022 | 3 months ended June 30, 2021 | 6 months ended June 30, 2022 | 6 months ended June 30, 2021 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Exploration and evaluation | 4, 12 | **$ 2,024,326** | $ 2,501,544 | **$ 3,436,579** | $ 4,986,246 |
| Management and consulting | 12 | **149,173** | 358,722 | **373,289** | 529,348 |
| Investor relations | | **159,450** | 108,717 | **328,240** | 168,263 |
| Share-based compensation | 12 | **135,500** | 41,649 | **278,330** | 92,040 |
| General and administrative | 12 | **116,353** | 35,363 | **184,015** | 70,844 |
| Corporate development | | **-** | - | **150,000** | - |
| Professional fees | | **77,606** | (318,145) | **119,862** | 117,344 |
| Transfer agent and filing fees | | **19,368** | 47,430 | **52,093** | 150,054 |
| Foreign exchange loss | | **9,969** | 23,389 | **21,176** | 34,882 |
| Depreciation | | **251** | - | **505** | - |
| **Total expenses** | | **(2,691,996)** | (2,798,669) | **(4,944,089)** | (6,149,021) |
| **Other items** | | | | | |
| Amortization of flow-through premium liability | 8 | **262,968** | 229,317 | **$ 504,013** | $ 286,978 |
| Deferred income tax | | **-** | 65,526 | **-** | - |
| Government grants | | **140,000** | - | **200,000** | - |
| Interest income | | **47,843** | 32,246 | **76,406** | 54,235 |
| **Total other income** | | **450,811** | 327,089 | **780,419** | 341,213 |
| **Loss and comprehensive loss for the period** | | **$ (2,241,185)** | $ (2,471,580) | **$ (4,163,670)** | $ (5,807,808) |
| **Loss per share** – basic and diluted | | **$ (0.01)** | $ (0.01) | **$ (0.02)** | $ (0.03) |
| **Weighted average number of common shares outstanding** – basic and diluted | | **256,641,232** | 239,502,654 | **256,581,623** | 222,884,587 |

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

**PALLADIUM ONE MINING INC.**
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Cash Flows
For the six months ended June 30, 2022 and 2021
(Expressed in Canadian Dollars)

| | | 6 months ended June 30, 2022 | | 6 months ended June 30, 2021 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Loss for the period | **$** | **(4,163,670)** | $ | (5,807,808) |
| Items not requiring an outlay of cash: | | | | |
| Amortization of flow-through premium liability | | **(504,013)** | | (286,978) |
| Depreciation of Equipment | | **505** | | - |
| Foreign exchange loss | | **1,987** | | 34,882 |
| Share-based compensation | | **278,330** | | 92,040 |
| Shares issued for property acquisition | | **200,000** | | - |
| | | **(4,186,861)** | | (5,967,864) |
| **Net change in non-cash working capital balances** | | | | |
| Accounts payable and accrued liabilities | | **170,742** | | 68,150 |
| Prepaid expense and deposits | | **(12,951)** | | (140,288) |
| Sales tax recoverable | | **276,684** | | 173,678 |
| Net cash used in operating activities | | **(3,752,386)** | | (5,866,324) |
| **Financing activities** | | | | |
| Proceeds from bought deal and private placements | | **-** | | 15,009,000 |
| Bought deal and private placements share issuance costs | | **-** | | (1,291,245) |
| Proceeds from options exercised | | **-** | | 107,750 |
| Proceeds from warrants exercised | | **-** | | 1,477,610 |
| Cash provided by financing activities | | **-** | | 15,303,115 |
| Increase (decrease) in cash | | **(3,752,386)** | | 9,436,791 |
| Cash, beginning of the period | | **15,060,023** | | 7,231,563 |
| **Cash, end of the period** | **$** | **11,307,637** | $ | 16,668,354 |
| **Supplemental disclosures with respect to cash flows:** | | | | |
| Cash paid during the year for income taxes | $ | - | $ | - |
| Cash paid during the year for interest | $ | - | $ | - |
| **Non-cash items:** | | | | |
| Fair value of finders'/broker's warrants | **$** | **-** | $ | 382,368 |
| Fair value transfer of options exercised | **$** | **-** | $ | 62,077 |
| Flow through premium | **$** | **-** | $ | 587,500 |
| Share issuance costs allocated to reserves | **$** | **-** | $ | 32,078 |

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

**PALLADIUM ONE MINING INC.**
(An Exploration Stage Company)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2022 and 2021
(Expressed in Canadian Dollars)

| | Number of shares | Capital stock | Reserves | Deficit | Shareholder's equity |
|---|---|---|---|---|---|
| **Balance at December 31, 2020** | **179,392,852** | **$ 18,721,062** | **$ 1,257,816** | **$ (13,322,768)** | **$ 6,656,110** |
| Private placements | 49,600,000 | 15,009,000 | - | - | 15,009,000 |
| Share issuance costs – cash | - | (1,291,245) | - | - | (1,291,245) |
| Share issuance costs – brokers' warrants | - | (382,368) | 382,368 | - | - |
| Share-based compensation | - | - | 92,040 | - | 92,040 |
| Warrants Exercised | 11,418,500 | 1,477,610 | - | - | 1,477,610 |
| Options Exercised | 800,000 | 169,827 | (62,077) | - | 107,750 |
| Flow-Through premium | - | (587,500) | - | - | (587,500) |
| Loss for the period | - | - | - | (5,807,808) | (5,807,808) |
| **Balance at June 30, 2021** | **241,211,352** | **$ 33,116,386** | **$ 1,670,147** | **$ (19,130,576)** | **$ 15,655,957** |
| | | | | | |
| **Balance at December 31, 2021** | **256,521,352** | **$ 35,665,534** | **$ 2,054,316** | **$ (24,005,695)** | **$ 13,714,155** |
| Shares issued for property acquisition | 1,212,121 | 200,000 | - | - | 200,000 |
| Share-based compensation | - | - | 278,330 | - | 278,330 |
| Loss for the period | - | - | - | (4,163,670) | (4,163,670) |
| **Balance at June 30, 2022** | **257,733,473** | **$ 35,865,534** | **$ 2,332,646** | **$ (28,169,365)** | **$ 10,028,815** |

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

## 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 August 26, 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 condensed interim 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 six months ended June 30, 2022 and 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

### a) Basis of measurement

These condensed interim 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 condensed interim 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.

### b) Statement of compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for interim information, specifically International Accounting Standards ("IAS") 34 – *Interim Financial Reporting*. In addition, the condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") and the same accounting policies and methods of their application as the most recent annual financial statements of the Company. These condensed interim consolidated financial statements do not include all disclosures normally provided in the annual financial statements and should be read

## 2. Basis of presentation (continued)

in conjunction with the Company's audited financial statements for the year ended December 31, 2021. In management's opinion, all adjustments necessary for fair presentation have been included in these condensed interim consolidated financial statements. Interim results are not necessarily indicative of the results expected of the year ended December 31, 2022.

### c) Principals of consolidation

These condensed interim 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 |

### d) Critical accounting estimates and judgements

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 condensed interim 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

(Expressed in Canadian Dollars)

## 2. Basis of presentation (continued)

Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

## 3. Summary of significant accounting policies

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2021.

## 4. Exploration and evaluation expenditures

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

| **E&E Expenditures** | June 30, 2022 | June 30, 2021 |
|---|---|---|
| LK Project: | | |
| Assays | $ 124,913 | $ 436,916 |
| Drilling | - | 1,624,800 |
| Environmental | 68,066 | - |
| Equipment rental | 12,675 | 14,310 |
| Field costs | 13,655 | 243,604 |
| Geological consulting and reports | 420,144 | 599,716 |
| Geophysical surveys | 94,824 | 147,310 |
| Other exploration & evaluation | 516,683 | - |
| Permits/Reservations | 189,341 | 96,705 |
| Travel and support | 27,988 | 75,267 |
| | 1,468,289 | 3,238,628 |
| Tyko Project: | | |
| Acquisition Costs | 6,264 | - |
| Assays | 5,776 | 15,436 |
| Drilling | 213,009 | 196,683 |
| Equipment rental | 103,162 | 25,847 |
| Exploration camp and field costs | 490,920 | 133,220 |
| Geological consulting and reports | 124,334 | 47,520 |
| Geological salaries | 89,834 | - |
| Geophysical surveys | 557,588 | 469,360 |
| Land management | 2,760 | - |
| Mobilization/Demobilization | 136,245 | 96,158 |
| Staking and line cutting | - | 8,300 |
| Travel and support | 13,398 | 2,361 |
| | 1,743,290 | 994,885 |
| Disraeli Project | | |
| Assays | - | 10,080 |
| Drilling | - | 134,733 |
| Equipment rental | - | 181,779 |
| Field costs | - | 131,841 |
| Geological consulting and reports | - | 156,510 |
| Geophysical surveys | - | 39,954 |
| Mobilization/Demobilization | - | 86,051 |
| Travel and support | - | 11,785 |
| | - | 752,733 |
| Canalask Project | | |
| Acquisition costs | 225,000 | - |
| | 225,000 | - |
| | **$ 3,436,579** | **$ 4,986,246** |

(Expressed in Canadian Dollars)

**4. Exploration and evaluation expenditures (continued)**

**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.

**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.

**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. 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. Acquisition of the Canalask property**

On June 10, 2022, the Company entered into an Asset Purchase Agreement ("the Agreement") with Victoria Gold Corporation ("the Vendor") to purchase the Canalask Nickel-Copper-PGE Project, in Yukon, Canada. The terms of the agreement include a $25,000 cash payment and $200,000 in common shares of the Company. The Vendor shall retain a 2% Net Smelter Return royalty with the Company retaining a 50% buyback right. Contingent consideration includes $2,000,000 to be paid to the Vendor upon the earlier of (A) the publication of a Feasibility Study, or (B) the Commencement of Commercial Production; and $5,000,000 will be paid to the Vendor upon the commencement of commercial production on the Canalask Property.

In June, 2022, the Company completed the acquisition by paying $25,000 and issuing 1,212,121 common shares with a fair value of $200,000 to the Vendor as per the Agreement.

**6. 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:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Accounts Payable | $ 292,356 | $ 193,494 |
| Accrued Liabilities | 264,877 | 192,997 |
| | $ 557,233 | $ 386,491 |

**7. Prepaid expense and deposits**

The breakdowns of prepaid expense and deposits are as follows:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Exploration prepaids | $ 140,840 | $ 77,788 |
| Conferences and investor relations | 19,852 | 65,825 |
| Other | 40,118 | 44,246 |
| | $ 200,810 | $ 187,859 |

(Expressed in Canadian Dollars)

## 8. Flow-through premium liability

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

| | | |
|---|---|---|
| Balance at December 31, 2021 | $ | 1,623,386 |
| Deferred premium liability recognized on flow-through issuances | | - |
| Income recognized based on corresponding eligible expenditures | | (504,013) |
| Balance at June 30, 2022 | $ | 1,119,373 |

As at June 30, 2022, the Company has an obligation to spend $3,341,971 (December 31, 2021 - $5,083,147) by December 31, 2022 in relation to the flow-through financing in December 2021.

## 9. 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 June 30, 2022, the Company had 257,733,473 (December 31, 2021 – 256,521,352) common shares issued and outstanding.

a) Shares

*Transactions for the six months ended June 30, 2022 were as follows:*

Shares issued for property acquisition

On June 21, 2022 the company issued 1,212,121 common shares with a fair value of $200,000 as per the asset purchase agreement in Note 5.

*Transactions for the six months ended June 30, 2021 were as follows:*

Bought deal and private placement

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 $341,041, 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.

Professional and exchange fees related to the bought deal and private placement of the six months ended June 30, 2021 were $390,705.

(Expressed in Canadian Dollars)

## 9. Capital stock and reserves (continued)

Warrant and option exercises

During the six months ended June 30, 2021, 11,418,500 shares were issued upon warrants exercised for proceeds of $1,477,610.

During the six months ended June 30, 2021, 800,000 shares were issued upon options exercised for proceeds of $107,750. A total of $62,077 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:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| 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 |
| Outstanding warrants, June 30, 2022 | 28,676,000 | $ 0.43 |

As at June 30, 2022, 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 | 0.65 | $ 0.45 |
| 2/24/2023 | 2,586,000 | 0.65 | 0.29 |
| 2/24/2023 | 90,000 | 0.65 | 0.34 |
| 2/24/2023 | 300,000 | 0.65 | 0.40 |
| 12/16/2023 | 900,000 | 1.46 | 0.29 |
| | 28,676,000 | 0.68 | $ 0.43 |

Warrant valuations in the six months ended June 30, 2022 and year ended December 31 2021 were based on the following assumptions:

| | 2022 | 2021 |
|---|---|---|
| Forfeiture rate | N/A | 0.00% |
| Estimated risk-free rate | N/A | 0.23% - 0.90% |
| Expected volatility | N/A | 75% |
| Estimated annual dividend yield | N/A | 0.00% |
| Expected life of warrants | N/A | 2 years |
| Weighted average fair value | N/A | $0.05 – $0.13 |

### 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.

There were no RSUs issued in the six months ended June 30, 2022.

(Expressed in Canadian Dollars)

**9. Capital stock and reserves (continued)**

On March 15, 2021, 1,275,862 RSUs were issued to directors, officers, consultants and advisors respectively, with a three-year vesting period, thereby expiring on March 15, 2024.

For the six months ended June 30, 2022, the Company recognized share-based compensation expense related to RSUs in the amount of $109,929. (Six months ended June 30, 2022 - $36,155).

**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.

There were no stock options issued in the six months ended June 30, 2022.

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.

The Company recognized share-based compensation expense of $168,401 during the six months ended June 30, 2022 (Six months ended March 31, 2021 - $55,885) related to stock options.

The Black-Scholes option pricing model was used for the valuation of stock options granted using the following assumptions:

| | 2022 | 2021 |
|---|---|---|
| Forfeiture rate | N/A | 0.00% |
| Estimated risk-free rate | N/A | 1.02% - 1.48% |
| Expected volatility | N/A | 75% |
| Estimated annual dividend yield | N/A | 0.00% |
| Expected life of options | N/A | 5 years |
| Fair value | N/A | $0.13 - $0.17 |

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, 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 |
| Outstanding options, June 30, 2022 | 12,575,000 | $ 0.17 |

(Expressed in Canadian Dollars)

**9. Capital stock and reserves (continued)**

As at June 30, 2022, 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 | 1.94 | $0.08 | 2,050,000 |
| 9/30/2024 | 1,000,000 | 2.25 | 0.08 | 1,000,000 |
| 12/29/2024 | 4,300,000 | 2.50 | 0.15 | 4,300,000 |
| 3/15/2026 | 775,000 | 3.71 | 0.29 | 516,666 |
| 11/15/2026 | 4,450,000 | 4.38 | 0.22 | 1,483,332 |
| | **12,575,000** | **3.13** | $0.17 | **9,349,998** |

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

As at June 30, 2022, 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 June 30, 2022, the Company's receivables consist of sales tax receivable due from the Government of Canada and Finland of $165,828 (December 31, 2021 - $442,512). 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 June 30, 2022, the Company had working capital of $9,997,669 (December 31, 2021 - $13,680,517). However, the Company has an accumulated deficit of $28,169,365 (December 31, 2021 - $24,005,695). The continuation of the Company depends upon the support of its equity investors, which cannot be assured.

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

*Other Market Price Risk*

The Company is exposed to price risk with respect to commodity and equity 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 June 30, 2022, the Company held in Euros the Canadian dollar equivalent of $274,004 (December 31, 2021 - $992,344) in cash, $28,954 in reclamation deposits (December 31, 2021 - $30,942), $49,499 in sales tax recoverable (December 31, 2021 - $190,619), and $42,294 in accounts payable and accrued liabilities (December 31, 2021 - $120,304). A 10% increase or decrease in the Euro would increase or decrease net loss by $31,000 (December 31, 2021 - $109,400).

*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 June 30, 2022, 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 six months ended June 30, 2022. 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.

(Expressed in Canadian Dollars)

## 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:

| | | Six months ended June 30, 2022 | | Six months ended June 30, 2021 |
|---|---|---|---|---|
| Management and consulting (1) | $ | 272,750 | $ | 273,500 |
| Share based compensation (2) | | 144,301 | | 55,109 |
| Total remuneration | $ | 417,051 | $ | 328,609 |

(1) Represents executive and officer compensation
(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 June 30, 2022, the Company owed $188,229 (December 31, 2021 - $32,509) and during the six months ended June 30, 2022, has paid or accrued $394,805 (six months ended June 30, 2021 - $520,104) 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 June 30, 2022, the Company owed $Nil (December 31, 2021 - $10,217) and during the six months ended June 30, 2022, has paid or accrued $18,000 (Six months ended June 30, 2021 - $18,000) 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.

In the six months ended June 30, 2022, $103,581 was paid or accrued to officers of the company as company expense reimbursements, including but not limited to marketing and travel costs (Six months ended June 30, 2021 - $41,748). As at June 30, 2022, the Company owed officers of the Company $14,642 (2021 - $6,956) for various expenses, including but not limited to marketing and travel costs 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.