GUNGNIR

Annual Financial Statements

December 31, 2021 and 2020

(expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Gungnir Resources Inc.,

Report on the Audit of the Financial Statements

Opinion

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 Financial Statements

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 James D. Gray.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
April 28, 2022

Gungnir Resources Inc.
Statements of Financial Position
(expressed in Canadian dollars)

As at	Note		December 31, 2021		December 31, 2020
Assets					
Current assets					
Cash and cash equivalents	3	$	1,191,394	$	1,247,494
GST/VAT receivable and prepaids	4		37,312		41,931
			1,228,706		1,289,425
Non-current assets					
Deposits	3		11,514		11,550
Reclamation bonds	5		35,753		39,313
Exploration and evaluation properties	6		2,660,268		2,117,439
Total assets			3,936,241		3,457,727
Liabilities and equity					
Current liabilities					
Accounts payable and accrued liabilities			50,333		24,270
Total liabilities			50,333		24,270
Equity					
Share capital	7		31,789,790		30,624,048
Stock-based payment reserve	7		764,552		550,547
Warrants	7		344,264		409,884
Contributed surplus	7		6,789,497		6,750,902
Deficit			(35,802,195)		(34,901,924)
Total equity			3,885,908		3,433,457
Total liabilities and equity		$	3,936,241	$	3,457,727

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

The financial statements were approved by the board of directors on April 28, 2022

See accompanying notes to the financial statements

Gungnir Resources Inc.
Statements of Comprehensive Loss
(expressed in Canadian dollars)

For the Years Ended December 31,	Note		2021	2020
Operating expenses				
General and administration	10	$	123,739	107,913
Compensation	10		719,480	491,010
Professional fees	10		35,206	38,575
			(878,425)	(637,498)
Other items				
Interest income			114	15,830
Foreign exchange			(12,484)	(6,354)
Write-down of exploration and evaluation properties			(9,476)	-
Comprehensive loss		$	(900,271)	(628,022)
Weighted average number of shares outstanding			83,842,151	69,184,543
Basic and diluted earnings (loss) per share		$	(0.01)	(0.01)

See accompanying notes to the financial statements

Gungnir Resources Inc.

Statements of Cash Flows

(expressed in Canadian dollars)

For the Years Ended December 31,		2021		2020
Operating activities				
Comprehensive loss for the year	$	(900,271)	$	(628,022)
Adjustments for:				
Accrued interest		36		35
Stock-based compensation		362,639		134,614
Write-off of exploration and evaluation properties		9,476		-
Foreign exchange		1,560		-
		(526,560)		(493,373)
Net change in non-cash working capital:				
GST/VAT receivable		4,619		(2,423)
Prepaid expenses		-		(29,920)
Accounts payable and other accrued liabilities		26,063		(108,218)
Net cash used in operating activities		(495,878)		(633,934)
Financing activity				
Issue of units, net of share issue costs		292,200		552,000
Exercise of options		134,000		-
Exercise of warrants		563,883		125,000
Net cash from financing activities		990,083		677,000
Investing activities				
Reclamation bonds		-		(15,792)
Exploration and evaluation expenditures		(550,305)		(341,692)
Net cash used in investing activities		(550,305)		(357,484)
Net decrease in cash		(56,100)		(314,418)
Cash and cash equivalents, beginning of year		1,247,494		1,561,912
Cash and cash equivalents, end of year	**$**	**1,191,394**	**$**	**1,247,494**

See accompanying notes to the financial statements

Gungnir Resources Inc.
Statements of Changes in Equity
(expressed in Canadian dollars)

	Shares (Note 7)		Share Capital		Stock-based compensation		Warrants		Contributed surplus		Deficit		Total equity
January 1, 2020	66,097,785		30,239,021		378,590		180,266		6,725,890		(34,273,902)		3,249,865
Warrants exercised	2,500,000	$	125,000	$	-	$	-	$	-	$	-	$	125,000
Re-allocated on exercise of warrants	-		16,621		-		(16,621)		-		-		-
Re-allocated on expiry or cancellation of options and warrants	-		-		(11,512)		(13,500)		25,012		-		-
Private placement - units issued	10,000,000		340,261		-		259,739		-		-		600,000
Share issue costs	-		(96,855)		48,855		-		-		-		(48,000)
Stock-based compensation	-		-		134,614		-		-		-		134,614
Comprehensive loss	-		-		-		-		-		(628,022)		(628,022)
December 31, 2020	**78,597,785**	$	**30,624,048**	$	**550,547**	$	**409,884**	$	**6,750,902**	$	**(34,901,924)**	$	**3,433,457**
Warrants exercised	10,584,332		563,883		-		-		-		-		563,883
Re-allocated on exercise of warrants	-		168,286		-		(168,286)		-		-		-
Options exercised	2,233,333		134,000		-		-		-		-		134,000
Re-allocated on exercise of options	-		116,531		(116,531)		-		-		-		-
Re-allocated on expiry of options and warrants	-		-		(32,103)		(4,380)		36,483		-		-
Private placement – units issued	5,964,000		191,154		-		107,046		-		-		298,200
Share issue costs	-		(8,112)		-		-		2,112		-		(6,000)
Stock-based compensation	-		-		362,639		-		-		-		(362,639)
Comprehensive loss	-		-		-		-		-		(900,271)		(900,271)
December 31, 2021	**97,379,450**	**$**	**31,789,790**	**$**	**764,552**	**$**	**344,264**	**$**	**6,789,497**	**$**	**(35,802,195)**	**$**	**3,885,908**

See accompanying notes to the financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia, Canada and is involved in the acquisition and exploration of mineral property interests. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the development stage with no major source of operating revenue and is dependent upon equity financing to maintain its current operations. These financial statements have been prepared on the basis of the Company being a going concern and able to realize its assets and discharge its liabilities in the normal course of business.

The Company will eventually need to seek additional financing to meet its ultimate exploration and development objectives. The Company has a reasonable expectation that additional funds will be available when necessary to meet ongoing exploration and development costs. However, there can be no assurance that the Company will continue to be able to obtain additional financial resources or will achieve profitability or positive cash flows. If the Company is unable to obtain adequate additional financing, the Company will be required to re-evaluate its planned expenditures until additional funds can be raised through financing activities.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economics, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

The primary office of the Company is located at 1688 – 152nd Street, Suite 404, Surrey, BC, V4A 4N2.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance and Conversion to International Financial Reporting Standards

These financial statements have been prepared in accordance with International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

(b) Basis of presentation

These financial statements have been prepared on a going concern basis, under the historical cost basis except for financial instruments designated at fair value through profit and loss, which are stated at their fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Significant accounting judgments and estimates

The preparation of these financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the period. On an ongoing basis, management evaluates its judgments and estimates by using its experience and other factors it believes to be reasonable. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Significant accounting judgments and estimates (continued)

These financial statements include estimates which are uncertain, the impacts of which are pervasive and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods if it affects both current and future periods. Significant estimates and judgments include, but are not limited to, valuation of exploration and evaluation properties, inputs used in the valuation of the Company's warrants and stock options and income taxes.

- *Valuation of exploration and evaluation properties*. Management applies judgment in determining whether a property is technically feasible and commercially viable and the amounts recognized on the Company's statement of financial position.

- *Valuation of warrants and stock options.* Management makes certain estimates when determining the fair value of warrants and stock options awards, and the number of warrants and stock options that are expected to vest. For warrants issued, these estimates affect their amounts recognized either within assets or equity. For stock option awards, these estimates affect the amounts recognized in the statement of comprehensive income.

- *Income taxes.* Income taxes payable and deferred income tax assets and liabilities require management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes becomes certain only when filed and accepted by the relevant authorities.

(d) Functional currency and foreign currency transactions

The functional and presentation currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

(e) Financial instruments and financial risk

The Company recognizes financial assets and liabilities on the statement of financial position when it becomes party to the contractual provisions of the instrument.

i. Financial assets

Cash and cash equivalents are classified as subsequently measured at amortized cost.

Financial assets at fair value through gain or loss are measured at fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments and financial risk (continued)

i. Financial assets (continued)

Amounts receivable, exclusive of GST, are non-interest bearing and are recognized at the face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Amounts receivable recorded are net of lifetime expected credit losses. The Company applies the simplified approach to determining expected credit losses, which requires expected credit losses to be recognized upon initial recognition of the receivables.

Reclamation bonds are classified as subsequently measured at amortized cost.

ii. Financial liabilities

Accounts payable and accrued liabilities are classified as subsequently measured at amortized cost.

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial instruments liabilities are measured at amortized cost using the effective interest method.

(f) Impairment of financial assets and non-financial assets

i. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cash flows of that asset.

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 cash flows, discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are collectively assessed in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

ii. Non-financial assets

Non-financial assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income (loss). The recoverable amount of the asset is the greater of its fair value less cost to sell and value in use.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Exploration and evaluation properties

Acquisition costs of resource properties together with direct exploration expenditures thereon are deferred until the property to which they relate is placed into production, sold, abandoned, or become impaired.

Option or other payments received in respect of property interests are applied to reduce the carrying value of the properties. The carrying values of mineral properties are, where necessary, written down to the estimated fair value based on discounted estimated future net cash flows. Exploration and evaluation assets will be depreciated on a unit of production basis when the property is placed into production.

The Company reviews the carrying values of its resource properties whenever events or circumstances indicate that there may be a potential impairment. Where estimates of future cash flows are not available and where exploration results or other information suggest impairment has occurred, management assesses whether the carrying value can be recovered, and if not, an appropriate write-down is recorded.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects in title registration.

Once mineral reserves are determined and the decision to proceed into project development has been approved, the expenditures related to development will be amortized over the life of the project based on estimated economic reserves.

Exploration costs renounced to shareholders due to flow-through share subscription agreements remain capitalized; however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

(h) Reclamation bonds

Cash which is subject to contractual restrictions on use imposed by government agencies as a condition of granting permits in connection with exploration and evaluation assets is classified separately as reclamation bonds.

(i) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and investments in financial instruments that are readily convertible into known amounts of cash and have original maturities within 365 days held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. At December 31, 2021, the Company had cash and cash equivalents of $1,191,394 (2020 - $1,247,494).

(j) Flow-through shares

The Company from time to time issues flow-through common shares to finance a significant portion of its exploration programs. Pursuant to the terms of the applicable flow-through share subscription agreements, the tax deductibility of qualifying resource expenditures funded from the proceeds of the sales of such shares is transferred to the investors who purchased the flow-through shares. Under IFRS, on issuance of such shares, the Company bifurcates the flow-through share into: (i) a flow-through share premium, equal to the

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Flow-through shares (continued)

estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (ii) share capital. Upon expenses being incurred the Company derecognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and a deferred tax liability is recognized. To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded

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 flow-through regulations pursuant to the Income Tax Act (Canada). When applicable, this tax is accrued until paid.

(k) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

(l) Share-based payment transactions

The Company has a stock option plan that allows certain officers, directors, consultants, and related company employees to acquire shares of the Company. The fair value of the options granted is recognized as an expense with a corresponding increase in equity.

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model considering the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche is an award with graded vesting and is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Share-based payments to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

The offset to the recorded cost is to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments originally recorded as contributed surplus are transferred to share capital. Upon cancellations or expiry of an option, the recorded value is transferred to contributed surplus.

(m) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized on a discounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Asset retirement obligations (continued)

Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at December 31, 2021, the Company does not have any asset retirement obligations.

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(n) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(o) Loss per share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted loss per share are the same.

(p) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Overview of Changes in IFRS

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Report – Phase 2

On January 1, 2021 the Company adopted the IASB issued amendments to IFRS 9, *Financial Instruments* (IFRS 9), IAS 39, *Financial Instruments: Recognition and Measurements* (IAS 39), IFRS 7, *Financial Instruments: Disclosures* (IFRS 7), IFRS 4, *Insurance Contracts* (IFRS 4), and IFRS 16, *Leases* (IFRS 16).

The amendments address issues arising during reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one. The adoption of these amendments did not have a material impact on the Company's financial statements.

(r) Future accounting pronouncements

Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use ("IAS 16")

In May 2020 the IASB issued amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use* which is effective for annual periods beginning after January 1, 2022. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related costs in profit (loss). The amendments to IAS 16 will have no material impact on the Company's financial statements.

Amendment to IAS 1 Presentation of Financial Statements ("IAS 1")

In January 2020 the IASB issued amendments to IAS 1, *Presentation of Financial Statements* which is effective for annual periods beginning after January 1, 2023. The amendment clarifies the criteria for classifying a liability as non-current if there is the right to defer settlement of the liability for at least 12 months after the reporting period. Management will assess the impact of this standard.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021 the IASB issued amendments to IAS 8, *Definition of Accounting Estimates* which is effective for annual periods beginning after January 1, 2023. The amendment helps entities to distinguish between accounting policies and accounting estimates. Management will assess the impact of this standard.

Amendment to IAS 1 and IFRS Practice Statement 2 ("IAS 1 and IFRS Practice Statement")

In February 2021 the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies* which is effective for annual periods beginning after January 1, 2023. The amendment assists entities in deciding which accounting policies to disclose in their financial statements. Management will assess the impact of this standard.

Amendment to IAS 12 Income Taxes ("IAS 12")

In May 2021 the IASB issued "*Deferred Tax related to Assets and Liabilities arising from a Single Transaction"* which is effective for annual periods beginning after January 1, 2023. The amendment clarifies how entities account for deferred tax on transactions such as leases and decommissioning obligations. Management will assess the impact of this standard.

(expressed in Canadian dollars)

3. CASH AND CASH EQUIVALENTS

Cash, cash equivalents and term deposits consist of the following:

		December 31, 2021		December 31, 2020
Cash bank accounts	$	1,191,394	$	1,247,494
Term deposits		11,514		11,550
	$	1,202,908	$	1,259,044

The Company estimates that the fair value of cash, cash equivalents and term deposits approximate the carrying values as of December 31, 2021 and 2020. Money market instruments held by the Company are convertible to cash on an "on demand" basis. Term deposits include $11,500 (2020 - $11,500) plus accrued interest that the Company deposited with the Bank of Montreal in Guaranteed Investments Certificates with respect to collateralizing its MasterCard Credit card account.

4. AMOUNTS RECEIVABLE AND PREPAYMENTS

Receivables and prepayments consist of the following:

		December 31, 2021		December 31, 2020
GST receivable and deposit receivable	$	6,423	$	10,850
VAT receivable		969		1,004
Advance receivable		-		157
Prepaid		29,920		29,920
	$	37,312	$	41,931

5. RECLAMATION BONDS

The Company has reclamation bonds outstanding totalling a principal amount of $36,359 (2020 - $38,359) to satisfy certain performance obligations associated with the exploration of the Blu Starr properties ($21,500) and Gungnir properties ($14,859). These investments are recorded at market value and earn interest at market rates.

(expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION PROPERTIES

Exploration and Evaluation Properties	December 31, 2020	Exploration and evaluation	Impairment	Loss on sale of property	Recoveries	December 31, 2021
Gungnir Swedish Properties*	2,117,439	550,305	(7,476)	-	-	2,660,268
	2,117,439	550,305	(7,476)	-	-	2,660,268

Exploration and Evaluation Properties	December 31, 2019	Exploration and evaluation	Impairment	Loss on sale of property	Recoveries	December 31, 2020
Gungnir Swedish Properties*	1,775,747	341,692	-	-	-	2,117,439
	1,775,747	341,692	-	-	-	2,117,439

*The Company's Swedish property interests are referred to collectively as the "Gungnir Swedish Properties."

6. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)

(a) Knaften-Nordanas, Sweden

On June 16, 2014, the Company through a Share Exchange Agreement, acquired a private company, Gungnir Resources Inc. (“Gungnir”), registered in Ontario, and 100% of its Nordanas and Knaften (Knaften nr 100 and 200) properties located in northern Sweden. The claims are subject to a 2.4% NSR, of which one-third is owned by a related party. During 2016, the Nordanas claim was allowed to expire resulting in a write down of $148,820 in capitalized costs associated with the Nordanas property.

From 2016 to 2021, the Company expanded its Knaften project by adding the Knaften nr 300, 400, 500, 600 and 700 licenses. The licenses comprising of the Knaften property are valid from 2022 to 2025.

During the year ended December 31, 2021, the Company incurred exploration expenditures of $236,238 (2020 - $226,922) on the Knaften property.

(b) Rormyrberget-Lappvattnet, Sweden

On February 24, 2015, the Company staked three mining licenses comprising of the Rormyrberget and Lappvattnet properties. These two properties are located east of the Company’s Knaften-Nordanas property. The properties are held 100% by the Company through staking.

During the year ended December 31, 2021, the Company incurred exploration expenditures of $282,959 (2020 - $59,715) on the Lappvattnet property and $30,718 (2020 - $47,970) on the Rormyrberget property.

(c) Norrbotten, Sweden

During the year ended December 31, 2018, the Company staked five exploration licenses in northern Sweden, located approximately 200 km north of the Company’s Knaften project.

During the year ended December 31, 2021, the Company allowed all licenses applicable to the Norrbotten property to lapse and wrote off the carrying value of $7,476.

7. SHARE CAPITAL

The authorized share capital in Gungnir Resources Inc. consists of 500,000,000 common shares.

On September 10, 2021, the Company completed a private placement of 5,964,000 units at a price of $0.05 per unit for gross proceeds of $298,200. Each unit consists of one common share and one common share purchase warrant. Each unit warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.08 for a period of 24 months following the closing. The fair value attributable to these share purchase warrants was $107,046. The Company paid a cash commission of $6,000 and granted 32,000 finder warrants (valued at $2,112). Each finder warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.05 for a period of 24 months following the closing.

On September 24, 2021 the Company issued 10,584,332 common shares, respectively, pursuant to the exercise of warrants at $0.05 per share (9,717,666) and $0.09 per share (866,666) for gross proceeds of $563,883. $168,286 previously recognized in warrants reserve was reclassified to share capital on the exercise of the warrants.

(expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

On October 1, 2021 the Company issued 2,233,333 common shares, pursuant to the exercise of options, at $0.06 per share for gross proceeds of $134,000. $116,531 previously recognized in stock-based payment reserve was reclassified to share capital on the exercise of the options.

At December 31, 2021 there are 97,379,450 common shares issued and outstanding.

Share-based Compensation

The Company has adopted a 2019 Incentive Stock Option Plan which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance in any twelve month period will not exceed 10% of the Company’s issued and outstanding common shares.

Such options will be exercisable for a period of up to 10 years from the date of grant at a price not less than the closing price of the Company’s shares on the last trading day before the grant of such options less any discount, if applicable, but in any event not less than $0.05 per share.

Options may be exercised no later than 6 months following cessation of the optionee’s position with the Company.

The following table summarizes information about the stock options for years ended December 31, 2021 and 2020:

	December 31, 2021			December 31, 2020		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Options outstanding, beginning of year	8,350,000	$	0.08	6,350,000	$	0.07
Granted	4,000,000		0.11	3,200,000		0.09
Exercised	(2,233,333)		0.06	(1,200,000)		0.05
Expired/Cancelled	(650,000)		0.06	-		-
Options outstanding, end of year	**9,466,667**	**$**	**0.10**	**8,350,000**	**$**	**0.08**

	2021	**2020**
Options exercisable, end of year	9,466,667	8,350,000
Weighted average contractual remaining life (years)	3.71	2.87

(expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

Summary of stock options outstanding at December 31, 2021:

Number outstanding	Exercise price ($)	Expiry date
800,000	0.05	January 20, 2022
266,667*	0.06	October 2, 2023
2,000,000	0.11	September 11, 2024
2,400,000	0.10	November 18, 2025
4,000,000	0.11	December 22, 2026
9,466,667		

* Compensation options granted in 2020

During the year ended December 31, 2021, $362,639 of share-based compensation was incurred (2020 - $134,614).

The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the expected dividend yield of $nil (2020 - $nil), average risk-free interest rate of 1.25% (2020 - 0.44%), expected life of 5 years (2020 - 5 years), stock price of $0.11 (2020 - $0.10) and an expected volatility of 120% (2020 - 123%).

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock based on historical volatility. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

Warrants

The following table summarizes information about the warrants for years ended December 31, 2021 and 2020:

	December 31, 2021			December 31, 2020		
	Warrants		Weighted average exercise price	Warrants		Weighted average exercise price
Beginning of year	19,851,000	$	0.07	15,351,000	$	0.05
Granted	5,996,000		0.08	10,000,000		0.09
Exercised	(10,584,332)		0.05	(2,500,000)		0.05
Expired/Cancelled	(133,334)		0.05	(3,000,000)		0.05
Warrants outstanding, end of year	**15,129,334**	**$**	**0.09**	**19,851,000**	**$**	**0.07**

	2021	**2020**
Warrants exercisable, end of year	15,129,334	19,851,000
Weighted average contractual remaining life (years)	1.72	1.29

(expressed in Canadian dollars)

7. SHARE CAPITAL (CONTINUED)

Summary of warrants outstanding at December 31, 2021:

Number outstanding	Exercise price ($)	Expiry date
6,133,334	0.09	September 24, 2023
3,000,000	0.09	October 1, 2023
5,964,000	0.08	September 10, 2023
32,000	0.05	September 10, 2023
15,129,334		

Contributed surplus

Contributed surplus includes the accumulated fair value of expired or cancelled stock options and unit warrants and the fair value of finder warrants granted. Contributed surplus is comprised of the following:

		Options		Unit Warrants		Finder Warrants		Total
December 31, 2020	$	3,692,293	$	3,058,609	$	-	$	6,750,902
Options and warrants expired		32,103		4,380		-		36,483
Finder’s warrants granted		-		-		2,112		2,112
December 31, 2021	**$**	**3,724,396**	**$**	**3,062,989**	**$**	**2,112**	**$**	**6,789,497**

Loss per Share

Years ended		December 31, 2021		December 31, 2020
Numerator: Net income (loss) attributable to common shareholders – basic and diluted	$	(900,271)	$	(628,022)
Denominator: Weighted average number of common shares outstanding – basic and diluted		83,842,151		69,184,543
Basic and diluted earnings (loss) per share	$	(0.01)	$	(0.01)

Diluted earnings (loss) per share did not include the effect of 9,466,667 (2020 - 8,350,000) stock options and 15,129,334 (2020 - 19,851,000) warrants as they are anti-dilutive.

8. CAPITAL MANAGEMENT

The Company manages its cash, common shares, stock options and warrants as capital. The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

8. CAPITAL MANAGEMENT (CONTINUED)

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

9. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is limited to cash and term deposits. As at December 31, 2021 the Company's financial instruments consist of interest-bearing, short-term investment-grade instruments issued by a Canadian chartered bank. The Company does not believe that it is exposed to significant credit risk on financial instruments issued by the Canadian chartered bank.

Interest rate risk

The Company is exposed to interest rate risk on its cash, term deposits and reclamation bonds, but is not exposed to any interest rate risk on outstanding borrowing as there are none at December 31, 2021.

Liquidity risk

The Company manages its liquidity risk by ensuring that there is sufficient capital in order to meet the short-term business requirements. The Company maintains cash and short-term investments which are available on demand for this purpose.

Other risks

The Company considers commodity price risk, operational risk and foreign exchange risk to be immaterial and therefore does not include them in their sensitivity analysis.

FAIR VALUE HIERARCHY

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company does not have any financial instruments carried at fair value.

(expressed in Canadian dollars)

10. EXPENSES

The Company's expenses from operations for the years ended December 31, 2021 and 2020 are detailed as follows:

General and administration		2021		2020
Shareholder and regulatory	$	90,262	$	77,164
Travel and promotion		740		914
Office		32,737		29,835
	$	123,739	$	107,913

Compensation	Note		2021		2020
Consulting fees and wages	11	$	356,841	$	356,396
Stock-based compensation	7, 11		362,639		134,614
		$	719,480	$	491,010

Professional fees		2021		2020
Accounting fees	$	18,788	$	15,900
Legal fees		16,418		22,675
	$	35,206	$	38,575

11. RELATED PARTY TRANSACTIONS

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount. The following are the related party transactions for the year.

For the year ended December 31, 2021, the Company had the following transactions with related parties:

- Incurred or paid wages of $305,000 in total to the CEO and CFO of the Company (2020 - $306,196).
- Incurred or paid directors' fees of $40,000 included in consulting fees and wages.
- Incurred stock-based compensation of $362,639.

At December 31, 2021, accounts payable and accrued liabilities include $nil (2020 - $nil) due to the related parties of the Company.

(expressed in Canadian dollars)

12. SEGMENTED INFORMATION

At December 31, 2021, the Company has two operating and reporting segments, being the Canadian and the Sweden exploration operations. The Company's information about its exploration and evaluation assets by geographic location is detailed below.

	Exploration	
	Canada	Sweden
December 31, 2021	$ -	$ 2,667,744
December 31, 2020	$ -	$ 2,117,439

13. INCOME TAXES

The income taxes shown on the statements of comprehensive loss differ from the amounts obtained by applying statutory rates due to the following:

	2021 **$**	**2020** **$**
Net income (loss) for the year before income taxes	(900,271)	(628,022)
Expected income tax rate	27%	27%
Expected income tax expense	(243,073)	(169,566)
Net effect of non-deductible amounts	100,471	36,361
Share issue costs	(1,620)	(12,960)
Increase in unrecognized deferred tax asset	144,222	146,165
Deferred income tax expense for the year	-	-

The significant components of the Company's deferred income tax assets are as follows:

	2021 **$**	**2020** **$**
Capital and net non-capital loss carry-forwards	2,186,816	2,373,916
Share issuance costs	9,072	10,368
Exploration and evaluation assets	1,464,799	1,080,483
Total deferred tax assets	**3,660,687**	**3,464,767**
Valuation allowance	(3,660,687)	(3,464,767)
Net deferred income tax assets	**-**	**-**

(expressed in Canadian dollars)

13. INCOME TAXES (CONTINUED)

The Company estimates that it has approximately $8,034,000 in non-capital losses, expiring between 2029 and 2041, to reduce future income taxable income in Canada. The realization of income tax benefits related to these losses is uncertain and cannot be viewed as more likely than not. Accordingly, no deferred income tax asset has been recognized for accounting purposes. If unused, these losses will expire as follows:

Years of Origin	Years of Expiry	Non-capital Losses
2009	2029	975,000
2010	2030	1,109,000
2011	2031	831,000
2012	2032	601,000
2013	2033	503,000
2014	2034	2,136,000
2015	2035	362,000
2016	2036	472,000
2017	2037	-
2018	2038	-
2019	2039	-
2020	2040	506,000
2021	2041	539,000
		$ 8,034,000

14. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2021, the Company:

- issued 600,000 common shares, pursuant to the exercise of options at $0.05 per share for gross proceeds of $30,000. 200,000 options with an exercise price of $0.05 expired unexercised.

- completed a non-brokered private placement for 21,318,336 units of the Company (the "Units") priced at $0.12 per Unit (the "Unit Price"), for gross proceeds of $2,558,200. Each Unit consists of one common share in the capital of the Company (each, a "Common Share") and one common share purchase warrant (each, a "Warrant"), with each Warrant entitling the holder thereof to acquire one Common Share for a period of two years from the applicable closing date of the Offering at an exercise price of $0.18 per share.

- entered into a royalty option agreement with Altius Minerals Corporation pursuant to which the Company has granted Altius the right, in exchange for $250,000 in cash, to enter into: (i) a royalty agreement with respect to licences at the Company's Lappvattnet and Rormyrberget projects (the "Lappvattnet and Rormyrberget Option"), and (ii) a royalty agreement with respect to licences at the Company's Knaften project (the "Knaften Option"). Under the Option Agreement, Altius may exercise its Lappvattnet and Rormyrberget Option by paying the Company $8 million at which time the Company and Altius will enter into a royalty agreement for a 2.0% gross sales royalty in perpetuity, and Altius may exercise its Knaften Option by paying the Company $2 million at which time the Company and Altius will enter into a royalty agreement for a 1.0% gross sales royalty in perpetuity.

- granted, in compliance with the Company's stock option plan, 2,539,778 incentive stock options to purchase common shares of the Company at $0.14 per share for five years to the directors and a consultant of the Company.