SOUTHSTONE MINERALS LIMITED

Condensed Consolidated Interim Financial Statements

(Expressed in Canadian Dollars)

For the six months ended

February 28, 2022 and 2021

(Unaudited)

NOTICE TO READER

Responsibility for Financial Statements:
The accompanying unaudited condensed consolidated interim financial statements of Southstone Minerals Limited for the six months ended February 28, 2022 and 2021 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 3 to the unaudited condensed consolidated interim financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Auditors Involvement:
The external auditors of Southstone Minerals Limited have not audited or performed a review of the unaudited condensed consolidated interim financial statements for the six months ended February 28, 2022 and 2021.

SOUTHSTONE MINERALS LIMITED
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

		February 28, 2022		August 31, 2021
ASSETS				
Current Assets				
Cash	$	141,076	$	433,244
Receivables (*Note 6*)		10,765		27,242
Prepaid expenses		6,735		5,139
Inventories (*Note 7*)		-		12,069
		158,576		477,694
Non-current assets				
Rehabilitation deposit *(Note 14)*		207,250		217,956
Equipment (*Note 8*)		23,663		40,789
TOTAL ASSETS	$	389,489	$	736,439
LIABILITIES AND DEFICIENCY				
Current Liabilities				
Trade and other payables (*Note 9*)	$	260,526	$	479,045
Promissory notes *(Note 10)*		428,347		434,907
Refundable deposit *(Note 14)*		57,596		60,572
Rehabilitation provision *(Note 14)*		297,641		313,018
Deferred recovery *(Note 12)*		25,879		36,288
Due to related parties (*Note 13*)		6,594		195,224
		1,076,583		1,519,054
Long-term Liabilities				
Deferred recovery (*Note 12*)		-		9,072
Loan payable (*Note 11*)		61,710		-
		1,138,293		1,534,357
Deficiency				
Share capital (*Note 15*)		17,301,635		17,075,335
Reserve for warrants *(Note 16)*		749,946		749,946
Reserve for share-based payments *(Note 17)*		2,378,970		2,378,970
Reserve for foreign exchange		228,330		230,066
Accumulated deficit		(21,515,645)		(21,335,617)
		(856,764)		(901,300)
Non-controlling interest *(Note 20)*		107,960		109,613
		(748,804)		(791,687)
TOTAL LIABILITIES AND DEFICIENCY	$	389,489	$	736,439

Corporate information and nature of operations (Note 1)
Going concern (Note 2)
Commitments (Note 21)
Subsequent events (Note 22)

Approved by the Board

/s/"Terry Tucker" — Director

/s/"Samer Khalaf" — Director

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

SOUTHSTONE MINERALS LIMITED
Consolidated Statements of Income (Loss) and Comprehensive Income
(Expressed in Canadian Dollars)

	Three months ended February 28, 2022	Three months ended February 28, 2021	Six months ended February 28, 2022	Six months ended February 28, 2021
Revenues	$ 313,960	$ 201,638	$ 593,859	$ 1,784,767
Cost of sales *(Note 7)*	(286,016)	(265,160)	(542,066)	(1,488,157)
Gross Profit	27,944	(63,522)	51,793	296,610
Expenses				
Amortization *(Note 8)*	-	(23)	-	(848)
Foreign exchange gain (loss)	65,589	(5,702)	17,935	11,717
Management and consulting (*Note 13*)	(75,905)	(104,394)	(178,342)	(190,212)
Office and general	(14,015)	(11,456)	(25,114)	(19,311)
Professional fees	(21,144)	(19,587)	(32,922)	(82,748)
Project investigation costs (*Note 12*)	-	(26,081)	-	(26,081)
Shareholder information	(9,274)	(3,637)	(14,919)	(7,060)
Travel and promotion	(1,511)	-	(2,166)	-
	(56,259)	(170,880)	(235,528)	(314,543)
Gain on sale of equipment	-	17,482	-	17,482
Finance income (expenses)	1,834	(54,849)	2,054	(46,301)
	1,834	(37,367)	2,054	(28,819)
Net loss from continuing operations	(26,481)	(271,769)	(181,681)	(46,752)
Net loss for the period	$ (26,481)	$ (271,769)	$ (181,681)	$ (46,752)
Net income (loss) attributable to:				
Shareholders of the Company	(39,835)	(169,744)	(180,028)	(106,998)
Non-controlling interests	13,354	(102,027)	(1,653)	60,244
	(26,481)	(271,771)	(181,681)	(46,754)
Other comprehensive loss				
Items that may be reclassified subsequently to net income (loss):				
Exchange differences on translating foreign operations	(47,926)	(25,928)	(1,736)	(79,736)
Total comprehensive loss for the period	(74,407)	(297,699)	(183,417)	(126,490)
Other comprehensive income (loss) attributable to:				
Shareholders of the Company	(47,927)	77,294	(1,736)	14,121
Non-controlling interests	-	(103,222)	-	(93,856)
	(47,927)	(25,928)	(1,736)	(79,735)
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	(87,761)	(92,450)	(181,764)	(92,877)
Non-controlling interests	13,354	(205,250)	(1,653)	(33,613)
	$ (74,407)	$ (297,700)	$ (183,417)	$ (126,490)
Basic and fully diluted loss per common share	$ -	$ (0.01)	$ (0.01)	$ -
Weighted average number of shares outstanding - basic and diluted	31,689,555	23,419,643	29,589,181	23,419,643

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

SOUTHSTONE MINERALS LIMITED
Consolidated Statement of Changes in Deficiency
(Expressed in Canadian Dollars)

	Share Capital						Equity Attributable to		
	Number of shares	Amount	Share based payments	Warrants	Foreign Exchange	Deficit	Shareholders	NCI	Total
Balance, August 31, 2020	**21,104,056**	**$ 16,781,982**	**$ 2,378,970**	**$ 749,946**	**$ 231,544**	**$ (20,821,339)**	**$ (678,897)**	**$ 226,629**	**$ (452,268)**
Settlement of debt	6,207,832	563,043	-	-	-	-	563,043	-	563,043
Dividend reduction in NCI *(Note 20)*	-	-	-	-	-	-	-	(93,856)	(93,856)
Currency translation adjustment	-	-	-	-	14,121	(457)	13,664	-	13,664
Net income (loss) for the period	-	-	-	-	-	(106,998)	(106,998)	60,244	(46,754)
Balance, February 28, 2021	**27,311,888**	**$ 17,345,025**	**$ 2,378,970**	**$ 749,946**	**$ 245,665**	**$ (20,928,794)**	**$ (209,188)**	**$ 193,017**	**$ (16,171)**
Balance, August 31, 2021	**27,511,888**	**$ 17,075,335**	**$ 2,378,970**	**$ 749,946**	**$ 230,066**	**$ (21,335,617)**	**$ (901,300)**	**$ 109,613**	**$ (791,687)**
Settlement of debt	**4,530,000**	**226,300**	-	-	-	-	**226,300**	-	**226,300**
Currency translation adjustment	-	-	-	-	**(1,736)**	-	**(1,736)**	-	**(1,736)**
Net loss for the period	-	-	-	-	-	**(180,028)**	**(180,028)**	**(1,653)**	**(181,681)**
Balance, February 28, 2022	**32,041,888**	**$ 17,301,635**	**$ 2,378,970**	**$ 749,946**	**$ 228,330**	**$ (21,515,645)**	**$ (856,764)**	**$ 107,960**	**$ (748,804)**

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

SOUTHSTONE MINERALS LIMITED
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Six months ended February 28,		2022		2021
Operating Activities				
Net income / (loss) for the period	$	(181,681)	$	(46,752)
Adjustments to reconcile net income/loss to cash flow from operating activities:				
Amortization		15,207		20,670
Interest expense		14,073		46,583
Amortization of deferred recovery		(19,481)		(17,481)
Unrealized foreign exchange gains and losses		11,309		(27,871)
Non-cash working capital items:				
Receivables		16,477		(28,433)
Inventories		12,069		366,016
Prepaid expenses and deposits		(1,596)		3,624
Trade and other payables		(218,519)		(323,969)
Cash used in (provided) by operating activities		(352,142)		(7,613)
Financing Activities				
Minority dividend		-		(93,856)
Proceeds from long-term debt		61,710		-
Cash provided by financing activities		61,710		(93,856)
Effect of currency translation reserve		(1,736)		13,664
Net decrease in cash		(292,168)		(87,806)
Cash - Beginning of the period		433,244		498,115
Cash - End of the period	$	141,076	$	410,309

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

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Southstone Minerals Limited (the "Company") was incorporated under the *British Columbia Business Corporations Act* on April 10, 2007. The Company holds a 43% interest in the Oena Diamond Mine ("Oena"), an alluvial diamond property, located in the Northern Cape Province, Republic of South Africa that consists of one New Order Mining Lease.

On October 29, 2019, the Company completed a consolidation of its share capital on the basis of one post-consolidated share for ten pre-consolidated shares. All share and per share amounts in these consolidated financial statements have been retroactively adjusted to reflect the share consolidation.

The Company is listed on the TSX Venture Exchange ("TSX.V"), under the symbol SML. The address of the Company's corporate office is 2751 Graham Street, Victoria, British Columbia, V8T 3Z1 Canada.

2. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company's shares and its ability to raise new capital. Operations at Oena were halted between March 27, 2020 and May 4, 2020 in compliance with the South African government's instructions. The duration and impact of the COVID-19 pandemic is unclear at this time and as a result it is not possible for management to estimate the severity of the impact it may have on the financial results and operations of the Company in future periods.

At February 28, 2022, the Company had negative working capital of $918,007 and an accumulated deficit of $21,515,645. The Company will require additional financing in order to further develop its business, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these consolidated financial statements.

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

3.1 Statement of compliance

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors of the Company on April 28, 2022.

3.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Canadian dollars. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of these consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3.3 Principles of consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries (the "Group"). The results of each subsidiary will continue to be included in the unaudited condensed consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Details of controlled entities are as follows:

		Percentage owned *	
	Country of incorporation	**February 28, 2022**	**August 31, 2021**
TGV Resources (Pty) Ltd ("TGV")	South Africa	100%	100%
African Star Minerals (Pty) Limited ("ASM")	South Africa	43%	43%
GAH Mining (Pty) Ltd ("GAH")	South Africa	100%	100%

*Percentage of voting power is in proportion to ownership, except for African Star Minerals (Pty) Ltd.

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

3.3 Principles of consolidation (continued)

The Company holds 43% interest in ASM, but continues to have the highest percentage shareholding and has elected the majority of the board of directors (the "Board"). The Company maintains control over the entity based on the following factors:

i) any shareholder can appoint one director of ASM for every 20% shareholding and may remove or replace any appointee;

ii) the Chairman of the Board of ASM is appointed from a director that represents the shareholder with the highest percentage shareholding and the Chairman is granted a second or casting vote to give the Company control of the Board; and

iii) the Board is responsible for the overall direction, supervision and management of ASM.

As part of the application for renewal, and in line with the proposed mining charter, the Company and the minority shareholders may undertake to restructure the shareholding in ASM subsequent to February 28, 2022 as follows:

	ASM Shareholding	
	Pre Restructure	**Post Restructure**
Southstone Minerals Limited	43%	41%
BEE Ownership		
Partner	26%	14%
Employees trust	-	8%
Community trust	-	8%
Other minorities	31%	29%
	100%	**100%**

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activities, net of recoveries and sale of tailings. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Acquisition costs are capitalized, and exploration and evaluation expenditures are expensed in the period which they incur. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

Although the Company has taken steps that it considers adequate to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Title to exploration and evaluation assets in foreign jurisdictions is subject to uncertainty and consequently, such properties may be subject to prior undetected agreements or transfers and title may be affected by such instances.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Foreign currency transactions

The functional currency of the Company, the parent, is the Canadian Dollar. The functional currency of the subsidiaries incorporated in Republic of South Africa is the South African Rand ("**ZAR**"). The presentation currency of the consolidated financial statements is the Canadian Dollar.

Transactions and balances:

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss).

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income (loss) and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in net loss.

Amortization

Amortization in profit or loss is provided on a straight-line basis over the estimated useful life of the assets as follows:

• Vehicles	12.5%
• Equipment	33%
• Plant	33%

4.4 Leases

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease is recognized as a right-of-use asset and corresponding liability at the commencement date. Each lease payment included in the lease liability is apportioned between the repayment of the liability and an interest expense. Lease liabilities represent the net present value of fixed lease payments (including in-substance fixed payments); variable lease payments based on an index, rate, or subject to a fair market value renewal condition; amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if it is probable that the lessee will exercise that option.

The Company's lease liability is recognized net of lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate. The period over which the lease payments are discounted is the expected lease term, including renewal and termination options that the Company is reasonably certain to exercise. Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis in general and administration and sales and marketing expense in the statement of operations and comprehensive loss. Short-term leases are defined as leases with a lease term of 12 months or less. Variable lease payments that do not depend on an index, rate, or subject to a fair market value renewal condition are expensed as incurred, in the statement of income (loss) and comprehensive income (loss).

Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive 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 probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period 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.

4.6 Loss per share

Basic loss per share is computed by dividing the Company's profit or loss applicable to common shares by the weighted average number of common shares outstanding for the relevant period. Diluted profit or loss per share is computed by dividing the Company's profit or loss applicable to common shares, by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted at the beginning of the period. For the period and year ended February 28, 2022 and August 31, 2021, respectively, the Company had stock options and share purchase warrants outstanding that could result in the issuance of additional common shares which were not included in the calculation of diluted loss per share as their effect would be anti-dilutive.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Share-based payments

Where equity-settled share options are awarded to employees or non-employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. The number of equity instruments expected to vest at each reporting date is taken into account so that the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is charged to the Company's profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment with non-employees cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for effects of non-transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in equity reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserve is credited to share capital, adjusted for any consideration paid. Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and immediately recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments

(i) Non-derivative financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash, and receivables and rehabilitation deposit are measured at amortized cost with subsequent impairments recognized in profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(ii) Non-derivative financial liabilities

Financial liabilities, other than derivatives, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, promissory notes, interest bearing loans and borrowings, and due to related party are measured at amortized cost.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Financial instruments (continued)

(iii) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

The Company has not designated any derivative contracts as hedges and therefore has not applied hedge accounting in these consolidated financial statements.

4.9 Non-controlling interest

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss for the period are allocated between non-controlling interest and shareholders of the parent. Non-controlling interest in subsidiaries must be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

4.10 Impairment of non-financial assets

The carrying amount of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. Any reversal of impairment cannot increase the carrying value of the asset to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration 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 restoration 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 restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. These changes are recorded directly to the related asset with a corresponding entry to the provision.

The increase in the restoration provision due to the passage of time is recognized as interest expense. The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to the statement of comprehensive loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

4.12 Revenue recognition

The Company recognizes revenue using a five-step model. The core principal is that revenue should be recognized to depict the transfer of control of goods and services to customers in an amount that reflects the consideration that the Company expects to be entitled for those goods and services. The Company earns revenue from the sale of diamonds.

The Company generates revenue from the sale of diamonds (the "Product") pursuant to contractual arrangements with its customers. This revenue is recognized when control or title of the Product is transferred from the Company and collection is reasonably assured in accordance with specified contract terms. All revenue is generally earned at a point in time and is based on the consideration that the Company expects to receive for the transfer of the Product to the customer.

As at February 28, 2022, the technical and economic feasibility of the Company's diamond project had not been established and the Company continues evaluation of Oena. As at February 28, 2022, all diamonds recovered from the project are virgin diamonds and the revenue earned is accounted for in the statement of income (loss) and comprehensive income (loss).

Revenue is measured based on the consideration specified in a contract with its customers. Payment terms with customers are generally 30 days from the date of the invoice. The Company generally does not have any sales contracts where the period between the transfer of the Product to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions for the time value of money.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Fair value of warrants

The Company measures the fair value of warrants issued from financings using the residual method, and compensatory warrants using the Black-Scholes Option Pricing model. When warrants are issued, the fair value is recorded in the warrant reserve, with the corresponding entry to share capital. When warrants are exercised, their fair value is removed from the warrant reserve account and recorded as share capital.

4.14 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The Company's executive management team has been identified as the chief operating decision-makers, and are responsible for allocating resources and assessing performance of the operating segments.

4.15 Investment in associate

Investments in entities over which the Company has a significant influence, but not control, are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's proportionate share of the investee's income or loss. When the Company's equity investee issues its own shares to outside interests, a dilution gain or loss arises as a result of the difference between the Company's proportionate share of the proceeds and the carrying value of the underlying equity. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for unless the Company is committed to provide financial support to the investee.

The Company resumes accounting for the investment under the equity method when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Profit or loss resulting from transactions between the Company and its associates is eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of its associates into line with those of the Company.

4.16 Inventory and supplies

Inventories, which are rough diamonds, are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value is recognized in the period the write-down occurs. Cost is determined using the weighted average method. Cost includes directly attributable mining overhead but excludes borrowing costs. Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and selling expenses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Assets held for sale and discontinued operations

Non-current assets held for sale and disposal groups are presented separately in the current section of the statement of financial position when management is committed to immediately selling the asset or disposal group in its present condition, and this sale is highly probable and expected to be completed within one year. Immediately before the initial classification of the assets and disposal groups as held for sale or for distribution, the carrying amounts of the assets, or all the assets and liabilities in the disposal groups, are measured in accordance with the applicable accounting policy.

Assets held for sale or distribution and disposal groups are subsequently measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset (or disposal group) is recognized at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale or for distribution. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale or for distribution continue to be recognized.

Non-current assets classified as held for sale or for distribution and the assets of a disposal group classified as held for sale or for distribution are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale or for distribution are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative consolidated statement of loss and comprehensive loss is re-presented as if the operation has been discontinued from the start of the comparative year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Accounting standards issued but not yet effective

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact that this amendment will have on its consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 2, 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Accounting standards issued but not yet effective (continued)

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include:

i) recoverability and measurement of deferred tax assets:

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

ii) provisions for restoration and environmental obligations and contingent liabilities:

The Company assesses its provision for reclamation and remediation on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation and exploration and development property. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future reclamation and remediation obligation. The actual future expenditures may differ from the amounts currently provided.

iii) carrying value of inventories:

The allocation of costs to inventories and the determination of net realizable value involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, recovery levels, and prices. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iv) recoverable amount of its evaluation and exploration assets:

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's mining properties and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments, in which the Company operates, that are not within its control and that affect the recoverable amount of its mining properties. Internal sources of information that management considers include the manner in which mining properties are being used, or are expected to be used, and indications of economic performance of the assets.

In determining the recoverable amounts of the Company's mining properties, management makes estimates of the undiscounted future pre-tax cash flows expected to be derived from the Company's mining properties, and the appropriate discount rate. Reductions in commodity price forecasts, increases in estimated future costs of production, increases in estimated future non expansionary capital expenditures, reductions in the amount of recoverable resources and exploration potential, and adverse current economic conditions are examples of factors that could result in a write down of the carrying amounts of the Company's mining properties and exploration and evaluation assets.

v) fair value of stock-based transactions:

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

i) assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty (Note 1)

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

ii) determination of control over ASM (Note 3.3);

The determination of control of subsidiaries involves significant judgment. De facto control exists in circumstances when an entity owns less than 50% voting rights in another entity but has control for reason other than voting rights or contractual and other statutory means. The consolidated financial statements include the results of African Star Minerals ("ASM") as management has determined that the Company has de facto control over ASM. The Company has the practical ability to direct the relevant activities of ASM and controls the Board of Directors.

(Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iii) determination of the functional currency of the Company and its subsidiaries; and

The determination of functional currency of the Company and its subsidiaries requires significant judgments. Management considered all of the relevant primary and secondary factors in making this determination.

6. RECEIVABLES

		February 28, 2022		August 31, 2021
GST/HST/VAT receivables	$	2,106	$	13,290
Other		8,659		13,952
Total receivables	**$**	**10,765**	**$**	**27,242**

7. INVENTORIES

As at February 28, 2022, the Company's inventory consist of rough diamonds. Inventory expensed during the period ended February 28, 2022 totaled $542,066 (2021 - $1,488,157).

		February 28, 2022		August 31, 2021
Diamonds	$	-	$	12,069
Total inventories	**$**	**-**	**$**	**12,069**

(Expressed in Canadian Dollars)

8. EQUIPMENT

		Vehicles		Plant		Equipment		Total
Cost								
As at August 31, 2020	$	52,299	$	103,181	$	37,248	$	192,728
Additions		-		28,123		-		28,123
Disposal		-		(56,245)		(41,389)		(97,635)
Foreign exchange		5,815		11,472		4,141		21,428
As at August 31, 2021	**$**	**58,113**	**$**	**86,531**	**$**	**-**	**$**	**144,644**
Foreign exchange		(2,734)		(4,070)		-		(6,804)
As at February 28, 2022	**$**	**55,380**	**$**	**82,460**	**$**	**-**	**$**	**137,840**
Accumulated Amortization								
As at August 31, 2020	$	31,544	$	32,447	$	29,461	$	93,452
Charge for the year		3,756		36,179		7,998		47,932
Removed on disposal		-		(8,177)		(40,920)		(49,098)
Foreign exchange		3,657		4,450		3,462		11,569
As at August 31, 2021	**$**	**38,957**	**$**	**64,898**	**$**	**-**	**$**	**103,856**
Charge for the year		1,417		13,791		-		15,207
Foreign exchange		(1,833)		(3,053)		-		(4,885)
As at February 28, 2022	**$**	**38,542**	**$**	**75,636**	**$**	**-**	**$**	**114,177**
Net Book Value								
As at August 31, 2021	**$**	**19,156**	**$**	**21,633**	**$**	**-**	**$**	**40,789**
As at February 28, 2022	**$**	**16,838**	**$**	**6,825**	**$**	**-**	**$**	**23,663**

9. TRADE AND OTHER PAYABLES

		February 28, 2022		August 31, 2021
Trade payables	$	128,783	$	267,989
Accrued liabilities		116,048		176,697
Payroll and VAT provisions		15,695		34,359
Total trade and other payables	**$**	**260,526**	**$**	**479,045**

(Expressed in Canadian Dollars)

10. PROMISSORY NOTES

During the year ended August 31, 2018, the Company issued an unsecured promissory note of $240,408 (US$185,000), interest bearing at 3% per annum to a third party, with no fixed terms of repayment. As at February 28, 2022, $264,566 (August 31, 2021: $257,450) was outstanding.

During the year ended August 31, 2015, the Company issued a combination of secured and unsecured convertible notes at 12% interest. As at August 31, 2021 and 2020 all conversion options expired and therefore became ordinary promissory notes. As at February 28, 2022, $163,781 is outstanding (August 2021: $177,457).

A continuity schedule of the previously convertible promissory notes due is as follows:

		February 28, 2022		August 31, 2021
Balance, beginning of the year	$	177,457	$	141,286
Accrued interest		10,174		58,159
Settled via issuance of shares (Note 15)		(24,014)		(21,648)
Effect of foreign exchange		164		(340)
Balance, end of the period	**$**	**163,781**	**$**	**177,457**

11. LOAN PAYABLE

During the period ended February 28, 2022, the Company entered into a Loan and Offtake agreement ("Offtake Right 1") with Hall of Diamonds Pty Ltd ("HOD"), whereby HOD provided a loan through a non-interest-bearing note that is repayable 24 months after issuance. In return, HOD receives a right to purchase all of the diamonds produced from Oena by the Company. Offtake Right 1 shall expire on the date that HOD has received a minimum sales value of ZAR 750,000.

As at February 28, 2022, there was a balance of $61,710 (August 31, 2021 - $nil) outstanding on this loan payable.

12. DEFERRED RECOVERY

In November 2017, the Company entered into a Tailing Investment and Revenue Participation agreement with TML Equipment Solutions (Pty) Ltd ("TML"), whereby TML agreed to provide funding of $191,042 to ensure ongoing operations of Oena with the processing of tailings. In return, TML receives a royalty of 10.6% from sale of diamonds recovered from processing of tailings. In the event that no diamond sales are generated, the Company is not obligated to make any royalty payments. The Company recognized the funding as a deferred recovery of Oena and amortized the balance over a 5-year term. For the period ended February 28, 2022, the Company recorded amortization of $16,125 (2021: $17,481) in finance charges in profit and loss.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's named executive officers and members of its Board of Directors. The remuneration of key management personnel was as follows:

		February 28, 2022		February 28, 2021
Directors fees	$	7,608	$	7,803
Consulting fees (included in management and consulting)		171,294		182,409
Total	**$**	**178,902**	**$**	**190,212**

As at February 28, 2022, $6,594 (August 31, 2021 - $195,224 owed to the CEO, CFO and certain directors and officers) is owed to a director of the Company. Amounts owing are non-interest bearing, unsecured and due on demand.

14. REHABILITATION PROVISION

A continuity of the Company's reclamation provision is as follows:

		February 28, 2022		August 31, 2021
Balance, beginning of the year	$	313,018	$	245,097
Change of estimate		-		39,896
Effect of foreign exchange		(15,377)		28,025
Balance, end of the period	**$**	**297,641**	**$**	**313,018**

As of February 28, 2022, the rehabilitation provision relates to Oena. For the year ended August 31, 2021 the Company contracted the services of Site Plan Consulting, an independent consultant specializing in geological surveying. The provision is an estimate of total amount of future cash flows required to complete the restoration on the following:

- stock piles and tailings;
- existing facilities; and
- roads and other infrastructure.

Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. Those uncertainties may result in future actual expenditures differing from the amount currently recorded.

The Company carries $207,250 (August 31, 2021: $217,956) in deposits as security against the liability. Of this, $57,596 (August 31, 2021: $60,572) is refundable to an arm's length third party. Refer to Note 21 regarding commitments for additional deposits.

15. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Share consolidation

On October 29, 2019, the Company completed a consolidation of its share capital on the basis of one post-consolidated share for ten pre-consolidated shares. All share and per share amounts in these financial statements have been retroactively adjusted to reflect the share consolidation.

(c) Issued

Period Ended February 28, 2022

- On December 7, 2021, debt in the amount of $226,500 owing to a director of the Company was settled in consideration for 4,530,000 common shares of the Company.

Year Ended August 31, 2021

- On October 9, 2020 the Company settled debt to an arms-length lender of $477,374 through the issuance of 5,315,872 common shares. The common shares were measured at their fair value on the issuance date of $0.045, resulting in a gain on de-recognition of debt of $257,268 to profit and loss. Refer to Note 11 for additional details.

- On October 15, 2020 a director of the Company converted $43,031 in debt in consideration for 459,000 common shares (Note 13).

- On October 22, 2020 an arms-length party settled a promissory note to the value of $21,648 in exchange for 432,960 common shares of the Company resulting in a gain on derecognition of debt to the value of $2,165 (Note 10).

- On February 4, 2021 the company issued 200,000 bonus shares to two directors with a value of $14,000 (Note 13) expensed to profit and loss as management and consulting.

(Expressed in Canadian Dollars)

16. WARRANTS

The continuity of the Company's outstanding warrants is as follows:

	February 28, 2022			August 31, 2021		
		Weighted Average Exercise Price	Number of Warrants		Weighted Average Exercise Price	Number of Warrants
Outstanding, beginning of year	$	1.00	400,000	$	1.00	400,000
Expired		1.00	(400,000)		-	-
Outstanding, end of the period	**$**	**-**	**-**	**$**	**1.00**	**400,000**

During the period ended February 28, 2022, 400,000 warrants expired unexercised.

17. SHARE BASED PAYMENTS

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. Options may be granted for a maximum term of ten years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as a director or officer of the Company and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option. Stock options vest 50% on grant date and 50% within 365 days from the grant date, except for certain investor relations consultants.

A summary of stock options issued and outstanding is as follows:

	February 28, 2022			August 31, 2021		
		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price	Number of Options
Outstanding at beginning of the year	$	0.50	390,000	$	0.50	585,000
Expired / Cancelled		0.50	(345,000)		0.50	(195,000)
Outstanding at end of the period	**$**	**0.50**	**45,000**	**$**	**0.50**	**390,000**
Exercisable at end of the period	**$**	**0.50**	**45,000**	**$**	**0.50**	**390,000**

Subsequent to period end, the remaining 45,000 options have expired unexercised.

(Expressed in Canadian Dollars)

17. SHARE BASED PAYMENTS (continued)

The following table provides additional information about outstanding stock options at February 28, 2022:

Exercise Price	Number of Options Outstanding and Exercisable	Weighted Average Remaining Life (Years)	Expiry date
$0.50	45,000	0.09	April 3, 2022
$0.50	**45,000**		

18. CAPITAL RISK 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 acquisition, exploration and development of mineral properties and its engineering services. 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 its shareholders' equity (deficiency). 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. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six month period ended February 28, 2022.

The Company considers its capital to be shareholders' equity (deficiency), which is comprised of share capital, reserves, deficit and non-controlling interest. The Company is not subject to externally imposed capital requirements

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short term, liquid and highly rated financial instruments, such as cash, and short-term guarantee deposits, all held with major Canadian and South African financial institutions.

19. FINANCIAL INSTRUMENTS

Fair Value
The carrying amount of cash, receivables, trade and other payables, promissory notes, interest bearing loans and borrowings, and due to related parties approximate fair value due to the relatively short term maturity of these financial instruments. The fair value of the rehabilitation deposit approximates carrying value due to the nature of the financial asset.

Credit Risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, and receivables. The Company has no significant concentration of credit risk arising from operations. Cash are held with reputable Canadian and South African chartered banks which are closely monitored by management. Trade receivables are usually received within 30 days.

Liquidity Risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow from both operations as well as financing activities. As at February 28, 2022, the Company had cash of $141,076 to settle current liabilities of $1,076,583. The Company intends to meet its financial commitments through loans, private placements, debt conversion, and revenue generated from its operations. All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms.

Interest Rate Risk
The Company has cash balances and no variable interest-bearing debt. The Company is not subject to significant interest rate risk.

Foreign Currency Risk
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from their respective functional currency. Diamonds from the South African operations are tendered in United States Dollars and settled in South African Rands at the average rate on the day that the tender closes. The main debt instruments of the group is denominated in Canadian and United States Dollars. The group does not enter into forward cover. As a result, unrealized foreign exchange gains and losses will arise from financial instruments that are unsettled at reporting date and realized foreign exchange gains and losses will arise from the derecognition of financial instruments at the prevailing rate.

A 10% appreciation in the CAD against the ZAR, with all other variables held constant, would result in a $18,342 decrease to comprehensive loss for the period ended February 28, 2022.

A 10% appreciation in the USD against the CAD, with all other variables held constant, would result in a $14,816 increase to comprehensive loss for the period ended February 28, 2022.

(Expressed in Canadian Dollars)

20. NON-CONTROLLING INTERESTS

The non-controlling interests consisted of the following:

		February 28, 2022		August 31, 2021
ASM (57% (2021 – 57%))		107,960		109,613
	$	107,960	$	109,613

On October 1, 2020 ASM paid a dividend of $142,896, of which $93,856 was allocated against the carrying amount of the non-controlling interest.

Net income (loss) allocated to non-controlling interests:

		February 28, 2022		February 28, 2021
ASM (57% (2021 – 57%))		13,354		60,244
	$	13,354	$	60,244

The following is the summarized statement of financial position of ASM as at February 28, 2022:

		ASM
Current:		
Assets	$	153,448
Liabilities		(718,251)
Total current net assets (liabilities)		(564,803)
Non-current		
Assets		219,272
Liabilities		(61,710)
Total non-current net assets		157,562
Total net assets (liabilities)	$	(407,241)

The following is the summarized statement of financial position of ASM as at August 31, 2021:

		ASM
Current:		
Assets	$	228,662
Liabilities		(900,413)
Total current net assets (liabilities)		(671,751)
Non-current		
Assets		246,503
Liabilities		-
Total non-current net assets		246,503
Total net assets (liabilities)	$	(425,248)

(Expressed in Canadian Dollars)

20. NON-CONTROLLING INTERESTS (continued)

The following is the summarized comprehensive loss of ASM for the period ended February 28, 2022:

		ASM
Revenue	$	593,859
Net income (loss)		(2,899)
Other comprehensive income		-
Total comprehensive income	$	(2,899)

The following is the summarized comprehensive profit of ASM for the year ended August 31, 2021:

		ASM
Revenue	$	2,752,929
Net income		188,188
Other comprehensive loss		(36,499)
Total comprehensive income	$	151,689

21. COMMITMENTS

The Company has committed to make additional deposits of $70,000 in connection with its rehabilitation provision. There is no formal deadline to make the deposit, however the Company typically complies on an annual basis in connection with filing its estimate of the total asset retirement obligation, as disclosed in Note 14.

22. SUBSEQUENT EVENTS

Subsequent to the period ended February 28, 2022, ASM entered into a Loan and Offtake Agreement ("Offtake Right 2") with HOD, pursuant to which HOD will provide an unsecured loan to ASM for ZAR 1,500,000 for a term of two years. As consideration for the loan, ASM has granted to HOD a right to purchase all diamonds produced from Oena, which will expire once HOD has received minimum sales value of ZAR 1,500,000. The sales price **("Valuation Price")** of the diamonds produced from the Oena shall be the highest price bid during the tender process at a designated Tender House located in the Republic of South Africa or an independent evaluator **("Valuator")** appointed by ASM in its sole discretion. HOD will be allowed to purchase all or a portion of the diamonds at the Tender Facility by paying the Valuation Price to ASM plus any outstanding commissions (typically 1.5%) to the Tender Facility.

Subsequent to the period ended February 28, 2022, ASM entered into a Contract Mining and Diamond Recovery Agreement (the "Agreement") with Oryx Mining (Pty) Ltd ("Oryx") at Oena. Oryx, at its own cost and expense, will provide and maintain all the Plant and Equipment as required to perform the Mining Services. The diamonds produced by Oryx will be sold via a designated Tender Facility in South Africa and 80% of the gross income of net diamond sales, less commission, will be paid to Oryx for the duration of the 36-month Agreement. For any individual stones recovered with a gross selling price, less commission, of greater that ZAR 10,000,000 Oryx will be paid 70% of the gross income. Mobilization of equipment and road building has already commenced, and mining operations are expected to commence in May 2022.