(Expressed in Canadian Dollars)

## 11. SHARE CAPITAL AND RESERVES *(continued)*

### c) Stock options and warrants

The Company, in accordance with its shareholder approved stock option plan as amended, is authorized to grant options to directors, officers, employees and consultants, to acquire up to 10% of the issued and outstanding common shares. The exercise price of the options issued under the plan is determined by the Board of Directors at the time the options are granted. The options vest immediately upon grant and are exercisable for up to a period of ten years from the date of grant, unless otherwise determined by the Board of Directors.

During the six month period ended October 31, 2021, the Company recognized a recovery of share-based compensation of $227,848 (six month period ended October 31, 2020 – $nil) in the Statement of Operations as a result of the afore-mentioned share options granted. Unlike previously issued options, the options granted on June 30, 2021 did not vest immediately; it was determined by the Board of Directors that these will vest pro-rata over a five year period and will become fully vested on June 30, 2026. They will expire on June 30, 2028.

The weighted average fair value of the options granted was valued at $0.05 per option using the Black-Sholes option pricing model. The assumptions used in calculating fair values include

| | June 30, 2021 issuance |
|---|---|
| Expected life | 5 years |
| Volatility | 131.43% |
| Risk free rate | 0.97% |
| Dividend rate | 0.00% |

As at October 31, 2021, the Company has recognized four months of vesting of options; this has been offset against the fair market value adjustment to the Deferred Share Unit Plan (note 11(d)):

| | Three month periods ended October 31, 2021 | 2020 | Six month periods ended October 31, 2021 | 2020 |
|---|---|---|---|---|
| Share-based compensation fair market value adjustment to DSUs | **$ -** | $ - | **$ (235,001)** | $ - |
| Share-based compensation for vested options | **5,365** | - | **7,153** | - |
| | **$ 5,365** | $ - | **$ (227,848)** | $ - |

(Expressed in Canadian Dollars)

**11. SHARE CAPITAL AND RESERVES** *(continued)*

c) **Stock options and warrants** *(continued)*

Stock option and warrant transactions are summarized as follows:

| | Stock Options | | | Warrants | | |
|---|---|---|---|---|---|---|
| | Number | | Weighted Average Exercise Price | Number | | Weighted Average Exercise Price |
| Outstanding April 30, 2020 | 6,166,000 | $ | 0.12 | - | $ | - |
| Expired | (510,000) | | 0.08 | - | | - |
| Outstanding, October 31, 2020 | 5,656,000 | | 0.13 | - | | - |
| Granted | - | | - | 12,261,376 | | 0.10 |
| Expired | (1,500,000) | | 0.08 | - | | - |
| Outstanding, April 30, 2021 | 4,156,000 | $ | 0.14 | 12,261,376 | $ | 0.10 |
| Granted | 2,130,000 | | 0.08 | - | | - |
| Outstanding, October 31, 2021 | 6,286,000 | $ | 0.12 | 12,261,376 | $ | 0.10 |
| Number currently exercisable | 6,286,000 | $ | 0.12 | 12,261,376 | $ | 0.10 |

The following stock options were outstanding as at October 31, 2021:

| | Number | Exercise Price | Expiry Date |
|---|---|---|---|
| **Options** | 3,756,000 | 0.15 | December 19, 2023 |
| | 400,000 | 0.08 | January 13, 2026 |
| | 2,130,000 | 0.08 | June 30, 2028 |
| | 6,286,000 | | |

| | Number | Exercise Price | Expiry Date |
|---|---|---|---|
| **Warrants** | 386,134 | $ 0.10 | December 23, 2022 |
| | 1,180,529 | 0.10 | December 29, 2022 |
| | 2,605,000 | 0.10 | December 31, 2022 |
| | 8,089,713 | 0.10 | January 15, 2023 |
| | 12,261,376 | | |

## 11. SHARE CAPITAL AND RESERVES *(continued)*

### d) Deferred share unit plan

The Company has a deferred share unit plan whereby directors can receive compensation in the form of a deferred share unit. Under the plan, directors will earn compensation quarterly ($7,500 initial value per quarter per director) at which time the number of deferred share units will be determined based on the weighted average of the Company's trading price for the last five trading days at the end of the quarter. Upon leaving the Board, directors, at their discretion, will receive shares for the deferred compensation. Under the deferred share plan, directors are entitled to receive the cash value equal to the fair value of the deferred shares outstanding. Accordingly, the value of the deferred liability is equal to the fair value of the shares. As of October 31, 2021, $421,669 of deferred compensation (April 30, 2021 – $626,670) has been accrued in accounts payable which equates to 8,433,372 shares (April 30, 2021 – 7,883,372 shares). Directors fees of $30,000 (2020 – $30,000) reflect the compensation to directors, with additional fair value changes associated with the deferred share units of $235,001 (2020 – $Nil) recognized in the Statement of Operations and Comprehensive Income (Loss).

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is carried at fair value using a level 1 fair value measurement. The carrying value of receivables, and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

Investment in private company is carried at fair market value using a level 3 fair value measurement, which has been based on the last share purchase price used to raise funds. Any adjustments to the value of this investment will be reflected in profit or loss.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

*Currency risk* - While the Company's capital is raised in Canadian dollars and has limited exposure to fluctuations in the exchange rates. The Company considers this foreign currency risk to be insignificant.

*Credit risk* - Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

## 12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*continued*)

The Company's cash is in large Canadian financial institutions. The Company's receivables typically consist mainly of receivables from related parties for shared expenditures and GST receivable due from the Federal Government of Canada.

As at October 31, 2021, the Company had $9,3914 in outstanding related party receivables; the Company has subsequently received all of this balance. The Company is subject to the risk that its joint venture partners will default on amounts owing for their portion of exploration expenditures (October 31, and April 30, 2021 – $Nil). Any such amounts defaulted would dilute that partners' interest in the exploration joint venture and would require the Company to pick up the proportionate share of future exploration expenditures.

*Interest rate risk* - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no material interest bearing financial obligations or assets.

*Liquidity risk* - Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13. The Company is exposed to liquidity risk.

*Price risk* - The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of diamonds and other minerals. The Company's input costs are also affected by the price of fuel. Management monitors diamond, precious metal and fuel prices to determine the appropriate course of action to be taken by the Company. The fair value of the investment in private company will fluctuate based on current market prices of its shares. Market prices may significantly impact the fair value of the investment and result in unrealized gains and losses through the Company's statement of profit and loss.

## 13. CAPITAL RISK MANAGMENT

The Company includes shareholders' equity (deficiency), comprised of issued common shares, reserves, and deficit, in the definition of capital. The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company is in the exploration stage; as such, it has historically relied on the equity markets to fund its activities. The Company's primary objective with respect to capital management is to ensure adequate liquid capital resources are in place to fund the exploration and development of its mineral properties while maintaining its ongoing operations. To secure the additional capital to pursue these plans, the Company may attempt to raise additional funds through the issuance of debt and or equity. The Company has made no changes to its objective, nor is the Company subject to external capital requirements.