# KLONDIKE GOLD CORP.

**Consolidated Financial Statements**

**For The Years Ended February 28, 2022 and 2021**
**(Expressed in Canadian Dollars)**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Klondike Gold Corp.

***Opinion***

We have audited the accompanying consolidated financial statements of Klondike Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2022 and 2021, 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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company reported loss of $627,642, and an accumulated deficit of $62,745,451 at that date. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

***Other Information***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Davidson & Company LLP

Vancouver, Canada                                                                 Chartered Professional Accountants

June 27, 2022

# KLONDIKE GOLD CORP.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## (Expressed in Canadian dollars)

| | February 28, 2022 | February 28, 2021 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | **$ 2,670,335** | $ 2,853,355 |
| Restricted cash (Note 4) | **165,961** | 165,580 |
| Amounts receivable | **145,704** | 96,924 |
| Prepaid expenses and deposits | **116,650** | 124,323 |
| **Total current assets** | **3,098,650** | 3,240,182 |
| | | |
| Investments (Note 5,7(b)) | **5,850** | 164,318 |
| Reclamation bond | **3,500** | 3,500 |
| Property and equipment (Note 6) | **578,716** | 721,910 |
| Exploration and evaluation assets (Note 7) | **26,301,162** | 23,693,548 |
| **Total assets** | **$ 29,987,878** | $ 27,823,458 |
| | | |
| **Liabilities** | | |
| Current liabilities | | |
| Trade and other payables | **$ 63,579** | $ 96,746 |
| Due to related parties (Note 9) | **26,250** | - |
| Lease liability (Note 8) | **123,789** | 113,856 |
| Flow-through premium (Note 10) | **223,593** | 331,059 |
| **Total current liabilities** | **437,211** | 541,661 |
| | | |
| Long-term lease liability (Note 8) | **308,490** | 432,278 |
| **Total liabilities** | **745,701** | 973,939 |
| | | |
| **Equity** | | |
| Share capital (Note 10) | **85,124,258** | 82,137,236 |
| Reserves (Note 10) | **6,863,370** | 6,830,092 |
| Deficit | **(62,745,451)** | (62,117,809) |
| **Total equity** | **29,242,177** | 26,849,519 |
| **Total liabilities and equity** | **$ 29,987,878** | $ 27,823,458 |

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on June 27, 2022:

"Peter Tallman" Director

"Gordon Keep" Director

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

# KLONDIKE GOLD CORP.

## CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
## FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021
## (Expressed in Canadian dollars)

| | **2022** | 2021 |
|---|---|---|
| **Expenses** | | |
| Consulting (Note 9) | **$ 252,064** | $ 220,570 |
| Depreciation (Note 6) | **143,194** | 147,120 |
| Management fees and wages (Note 9) | **229,815** | 419,206 |
| Marketing | **86,597** | 40,041 |
| Office and miscellaneous (Note 8) | **76,630** | 48,207 |
| Professional fees | **41,935** | 34,159 |
| Regulatory and transfer agent | **67,731** | 40,835 |
| Share-based compensation (Note 10) | **-** | 407,373 |
| Travel | **12,806** | 23,175 |
| | **(910,772)** | (1,380,686) |
| Finance expense (Note 8) | **(31,758)** | (39,652) |
| Interest income | **11,669** | 9,288 |
| Other income - flow-through (Note 10(b)) | **406,841** | 159,567 |
| Gain (loss) on sale of marketable securities (Note 5) | **(51,959)** | 46,282 |
| Unrealized gain (loss) on marketable securities (Note 5) | **15,337** | (21,787) |
| Unrealized loss on warrants (Note 5) | **(67,000)** | (89,332) |
| **Loss and comprehensive loss** | **(627,642)** | (1,316,320) |
| **Basic and diluted loss per common share** | **$ (0.00)** | $ (0.01) |
| **Weighted average number of common shares outstanding** | **139,713,212** | 124,462,785 |

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

# KLONDIKE GOLD CORP.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## (Expressed in Canadian dollars)

| | Share capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Shares issued | Amount | Share premium | Share-based payments | Deficit | Total equity |
| **At February 29, 2020** | 113,396,918 | $ 77,944,824 | $ 27,405 | $ 6,394,701 | $ (60,801,489) | $ 23,565,441 |
| Private placement | 7,885,643 | 1,730,988 | - | - | - | 1,730,988 |
| Private placement - flow-through | 12,249,615 | 3,291,911 | - | - | - | 3,291,911 |
| Flow-through premium | - | (490,626) | - | - | - | (490,626) |
| Share issuance costs | - | (374,668) | - | 15,980 | - | (358,688) |
| Share-based compensation | - | - | - | 407,373 | - | 407,373 |
| Exercise of stock options | 162,000 | 34,807 | - | (15,367) | - | 19,440 |
| Loss and comprehensive loss | - | - | - | - | (1,316,320) | (1,316,320) |
| **At February 28, 2021** | 133,694,176 | $ 82,137,236 | $ 27,405 | $ 6,802,687 | $ (62,117,809) | $ 26,849,519 |
| | | | | | | |
| **At February 28, 2021** | 133,694,176 | $ 82,137,236 | $ 27,405 | $ 6,802,687 | $ (62,117,809) | $ 26,849,519 |
| Private placement | 6,409,866 | 1,121,727 | - | - | - | 1,121,727 |
| Private placement - flow-through | 11,975,000 | 2,395,000 | - | - | - | 2,395,000 |
| Flow-through premium | - | (299,375) | - | - | - | (299,375) |
| Share issuance costs | - | (230,330) | - | 33,278 | - | (197,052) |
| Loss and comprehensive loss | - | - | - | - | (627,642) | (627,642) |
| **At February 28, 2022** | 152,079,042 | $ 85,124,258 | $ 27,405 | $ 6,835,965 | $ (62,745,451) | $ 29,242,177 |

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

# KLONDIKE GOLD CORP.

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE YEARS ENDED FEBRUARY 28, 2022 AND 2021
## (Expressed in Canadian dollars)

| | 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| Loss | **$ (627,642)** | $ (1,316,320) |
| Items not involving cash: | | |
| Depreciation | **143,194** | 147,120 |
| Finance expense | **31,758** | 39,652 |
| Share-based compensation | **-** | 407,373 |
| Accrued interest income | **(381)** | - |
| Other income - flow-through | **(406,841)** | (159,567) |
| Loss (gain) on sale of marketable securities | **51,959** | (46,282) |
| Unrealized loss (gain) on marketable securities | **(15,337)** | 21,787 |
| Unrealized loss on warrants | **67,000** | 89,332 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | **(26,019)** | 25,299 |
| Prepaid expenses and deposits | **7,673** | (68,449) |
| Trade and other payables | **(32,614)** | (77,618) |
| Due to related parties | **26,250** | - |
| | **(781,000)** | (937,673) |
| **Financing activities** | | |
| Proceeds on issuance of common shares, net of share issuance costs | **3,319,675** | 4,664,211 |
| Proceeds from exercise of stock options | **-** | 19,440 |
| Lease payments | **(145,613)** | (156,416) |
| | **3,174,062** | 4,527,235 |
| **Investing activities** | | |
| Exploration and evaluation asset expenditures | **(2,630,928)** | (1,307,333) |
| Sale of exploration and evaluation assets | **-** | 100,000 |
| Sale of marketable securities | **54,846** | 337,177 |
| | **(2,576,082)** | (870,156) |
| Change in cash | **(183,020)** | 2,719,406 |
| Cash, beginning | **2,853,355** | 133,949 |
| **Cash, end** | **$ 2,670,335** | $ 2,853,355 |

Supplemental cash flow information (Note 13)

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Gold Corp. (the "Company") is a Vancouver-based resource exploration company listed on the TSX Venture Exchange under the symbol "KG". The Company was incorporated on August 23, 1978, under the laws of the Province of British Columbia, Canada. The Company's head office is located at Suite 3123 - 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1J1, and the Company's registered and records office is located at Suite 2500 - 700 West Georgia St., Vancouver, British Columbia, V6Y 1B3.

These consolidated financial statements have been prepared on the basis of a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. As at February 28, 2022, the Company had working capital of $2,661,439 (February 28, 2021 - $2,698,521) and cash of $2,670,335 (February 28, 2021 - $2,853,355). For the year ended February 28, 2022, the Company reported loss of $627,642, and had an accumulated deficit of $62,745,451 at that date. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The material uncertainty of the Company's success in raising additional capital funding casts significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As at the date of this report, the Company has not been directly impacted by the spread of COVID-19 however timelines for work conducted by contractors and suppliers has significantly lengthened. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

## 2. BASIS OF PRESENTATION

a) Statement of Compliance

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

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Foreign Currencies

The presentation and functional currency of the Company is the Canadian dollar. All financial information is presented in Canadian dollars unless otherwise noted and all financial information has been rounded to the nearest dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the 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 of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

d) Basis of Consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All intercompany balances and transactions are eliminated upon consolidation.

Non-controlling interest in the net assets of the consolidated subsidiaries are identified separately from the Company's equity. The non-controlling interest consists of the non-controlling interest's portion of net assets and profit or loss.

e) Significant Accounting Judgements and Estimates

The preparation of these consolidated financial statements require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

*Share-based compensation*

Management is required to make certain estimates when determining the fair value of stock options granted, and the number of stock options expected to vest. These estimates affect the amount recognized as share-based compensation in profit or loss. For the year ended February 28, 2022, the Company recognized $nil in share-based compensation expense (2021 - $407,373).

Critical accounting judgments

In the preparation of these consolidated financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements:

*Mineral properties under exploration*

The carrying amount of the Company's exploration and evaluation asset properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

*Income taxes*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

Financial assets and financial liabilities are classified into three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss ("FVTPL"). The classification of financial assets is determined by their context in the Company's business model and by the characteristics of the financial asset's contractual cash flows.

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

Cash, restricted cash, amounts receivable, reclamation bond, trade and other payables, and lease are classified as and measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method. Investments are classified as and measured at FVTPL.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired.

*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.

b) Exploration and Evaluation Assets

Exploration and evaluation assets include the costs of acquiring licenses, and costs associated with exploration and evaluation activity. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) insufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management’s judgement that none of the Company’s exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets. Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements. The Company is not aware of any disputed claims of title.

c) Property and Equipment

Property and equipment assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recorded at the following rates:

| | |
|---|---|
| Vehicles | 3 years straight line basis |
| Building | 20 years straight line basis |

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

d) Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are performed whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

The impairment test is carried out at the cash-generating unit level, which is the smallest identifiable group of assets for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is recognized in profit or loss. 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, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. The Company's exploration and evaluation assets policy in Note 3(b) above specifically discusses impairment factors.

e) Lease

A contract is or contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs; and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these leases are instead recognized as an expense over the lease term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Right-of-use assets are presented in the same line item as property and equipment on the statement of financial position as it presents underlying assets of the same nature owned by the Company.

f) Decommissioning Liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets.

Discount rates, using a pre-tax risk-free rate, are used to calculate the present value. Over time, the discounted liability is increased for the changes in present value based on current market discount rates, and may change due to the amount or timing of the underlying cash flows needed to settle the obligation.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

At February 28, 2022 and 2021, the Company did not incur any such obligations.

g) Share Capital

i) Non-monetary consideration

Finder's warrants, stock options and other equity instruments issued as consideration in non-monetary transactions other than as consideration for exploration and evaluation assets are recorded at fair value as determined by management. Proceeds from unit placements are allocated between common shares and warrants using the residual value method, which allocates value first to the fair value of the common shares and the balance, if any, is allocated to the attached warrants.

ii) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Where the flow-through common share is issued as part of a unit, the value is first allocated between the unit and the flow-through premium, and then bifurcated between the common share and the warrant on a residual value basis.

As qualified expenses are incurred the Company relieves the liability and recognizes the premium in profit or loss as other income.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

iii) Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of stock options granted is recognized as share-based compensation expense with a corresponding increase in reserves within equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the stock options vest. The fair value of the stock options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the stock options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

iv) Share issuance costs

Costs directly identifiable with the raising of equity are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred financing costs. Share issuance costs related to uncompleted share subscriptions are charged to profit or loss.

h) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (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.

i) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated using the treasury stock method. The weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Basic and diluted loss per share is equal as outstanding stock options and warrants were all anti-dilutive.

j) Standards Issued or Amended But Not Yet Effective

The Company has not applied the following revised IFRS that has been issued but was not yet effective at February 28, 2022. This accounting standard is not currently expected to have a significant effect on the Company’s accounting policies or financial statements:

(Expressed in Canadian dollars)

- IAS 16, Property, Plant and Equipment - Proceeds before Intended Use (effective for annual periods beginning on or after January 1, 2022). The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, a company will recognize such sale proceeds and related cost in profit or loss.

## 4. RESTRICTED CASH

The Company maintains one-year term deposits as collateral for the credit cards, which automatically renew at maturity, of $165,961 as at February 28, 2022 (February 28, 2021 - $165,580). The Company has the ability to cancel its credit cards and receive the term deposits in full at any time.

## 5. INVESTMENTS

| | **As of February 28, 2022** | | | As of February 28, 2021 | | |
|---|---|---|---|---|---|---|
| | **Amount** | | **Fair Value** | Amount | | Fair Value |
| Ximen Mining Corp. shares (Note 7(b)) | **30,000** | **$** | **5,850** | 290,500 | $ | 97,318 |
| Ximen Mining Corp. warrants (Note 7(b)) | **1,000,000** | | **-** | 1,000,000 | | 67,000 |
| | | **$** | **5,850** | | $ | 164,318 |

During the year ended February 28, 2021, the Company received 1,000,000 common shares and 1,000,000 warrants from Ximen Mining Corp. ("Ximen"), exercisable at $0.45 per common share until March 5, 2022 (Note 7(b)). The fair value of the shares and warrants remaining as at February 28, 2022, was $5,850 and $nil, respectively. The warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.45; ii) expected share price volatility of 75%; iii) risk-free interest rate of 1.37%; iv) expected life of 0.01 years; v) no dividend yield. During the year ended February 28, 2022, 260,500 common shares of Ximen with a cost basis of $106,805 were sold for net proceeds of $54,846 resulting in a loss on sale of $51,959. Subsequent to February 28, 2022, the 1,000,000 Ximen warrants expired.

## 6. PROPERTY AND EQUIPMENT

| ***Cost*** | | **Vehicles** | | **Building** | | **Right-of-use asset** | | **Total** |
|---|---|---|---|---|---|---|---|---|
| Balance February 29, 2020, February 28, 2021, and February 28, 2022 | $ | 53,800 | $ | 380,000 | $ | 739,400 | $ | 1,173,200 |
| | | | | | | | | |
| ***Accumulated depreciation*** | | | | | | | | |
| Balance, February 29, 2020 | $ | 47,942 | $ | 133,000 | $ | 123,228 | $ | 304,170 |
| Depreciation | | 4,892 | | 19,000 | | 123,228 | | 147,120 |
| Balance, February 28, 2021 | | 52,834 | | 152,000 | | 246,456 | | 451,290 |
| Depreciation | | 966 | | 19,000 | | 123,228 | | 143,194 |
| Balance February 28, 2022 | $ | 53,800 | $ | 171,000 | $ | 369,684 | $ | 594,483 |
| | | | | | | | | |
| ***Carrying amount*** | | | | | | | | |
| Balance, February 28, 2021 | $ | 966 | $ | 228,000 | $ | 492,944 | $ | 721,910 |
| Balance February 28, 2022 | $ | - | $ | 209,000 | $ | 369,716 | $ | 578,716 |

(Expressed in Canadian dollars)

## 7. EXPLORATION AND EVALUATION ASSETS

| | Placer Claims | Quartz Claims | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Acquisition costs:** | | | |
| Balance, February 28, 2021 and February 28, 2022 | 1,167,436 | 4,885,243 | 6,052,679 |
| **Exploration costs:** | | | |
| Balance, February 28, 2021 | 77,120 | 18,386,560 | 18,463,680 |
| Camp supplies | - | 97,469 | 97,469 |
| Consulting & wages | - | 728,880 | 728,880 |
| Drilling | - | 1,099,850 | 1,099,850 |
| Fuel | - | 82,163 | 82,163 |
| Lab analysis | - | 427,582 | 427,582 |
| Property maintenance | - | 37,765 | 37,765 |
| Surveying | - | 127,249 | 127,249 |
| Travel | - | 29,416 | 29,416 |
| Balance, February 28, 2022 | 77,120 | 21,016,934 | 21,094,054 |
| **Royalty payments:** | | | |
| Balance, February 28, 2022 | (845,571) | - | (845,571) |
| **Total costs:** | | | |
| Balance, February 28, 2022 | 398,985 | 25,902,177 | 26,301,162 |

| | British Columbia Claims | Placer Claims | Quartz Claims | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Acquisition costs:** | | | | |
| Balance, February 29, 2020 and February 28, 2021 | - | 1,167,436 | 4,885,243 | 6,052,679 |
| **Exploration costs:** | | | | |
| Balance, February 29, 2020 | 666,332 | 77,120 | 17,051,560 | 17,795,012 |
| Camp supplies | - | - | 46,765 | 46,765 |
| Consulting & wages | - | - | 443,199 | 443,199 |
| Drilling | - | - | 500,656 | 500,656 |
| Fuel | - | - | 39,192 | 39,192 |
| Lab analysis | - | - | 245,859 | 245,859 |
| Property maintenance | - | - | 14,385 | 14,385 |
| Surveying | - | - | 34,675 | 34,675 |
| Travel | - | - | 10,269 | 10,269 |
| Sale of British Columbia Claims (Note 7(b)) | (666,332) | - | - | (666,332) |
| Balance, February 28, 2021 | - | 77,120 | 18,386,560 | 18,463,680 |
| **Royalty payments:** | | | | |
| Balance, February 28, 2021 | - | (822,811) | - | (822,811) |
| **Total costs:** | | | | |
| Balance, February 28, 2021 | - | 421,745 | 23,271,803 | 23,693,548 |

a) Yukon Quartz and Placer Claims

The Company holds a 100% beneficial interest in a group of quartz claims, crown grants and placer claims located between Eldorado Creek and Upper Bonanza Creek, Dawson Mining Division, Yukon Territory.

These claims include a large contiguous group of claims acquired by staking and option agreements, which include both the quartz and placer claims, which the Company considers to be one cash-generating unit.

<u>Assignment of Lease on Upper Eldorado Creek Property</u>

In September 2019, the Company entered into a lease agreement with Dulac Mining Ltd ("Dulac Mining") whereby the Company assigns to Dulac Mining the rights and permits to placer mine on the Upper Eldorado Creek property, contained wholly within the Company's Klondike District Property, Yukon Territory. Under the terms of the lease agreement, the Company will receive from Dulac Mining a direct 10% gold production royalty from mining on the placer property payable in raw gold. The lease agreement is for a term of 3 years, expiring July 2022, and is renewable thereafter subject to approval by both parties. During the year ended February 28, 2022, the Company accrued $22,760 (2021 - $79,476) in royalty payments which was netted against capitalized exploration and evaluation asset costs.

<u>Acquisition of Sophie claims</u>

In March 2019, the Company entered into a Property Acquisition Agreement of a 100% interest in mining claims located in the Dawson mining district, Yukon Territory, for consideration of $12,400. The Company has also granted a 1% Net Smelter Returns ("NSR") Royalty to the vendor in respect of the Sophie claims, of which the Company may purchase one-half of the NSR Royalty (being a 0.5% NSR Royalty) for cash in the amount of $750,000 at any time.

<u>Acquisition of Burkhard claims</u>

During the year ended February 28, 2018, the Company entered into a Property Acquisition Agreement of a 100% interest in mining claims located in the Dawson mining district, Yukon Territory, for consideration of $20,000. The Company has also granted a 2% NSR Royalty to the vendor in respect of the Burkhard claims, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) for cash in the amount of $1,000,000 at any time.

<u>Acquisition of Gimlex claims</u>

During the year ended February 28, 2017, the Company entered into a Property Acquisition Agreement with Gimlex Enterprises Ltd. ("Gimlex") for the purchase by the Company of a 100% interest in Gimlex's mining claims located in the Dawson mining district, Yukon Territory, for consideration of $500,000 in cash and 3,000,000 common shares of the Company with a value of $1,200,000. The Company has also granted a 2% NSR Royalty to the vendor in respect of the Gimlex property, of which the Company may purchase one-half of the NSR Royalty (being a 1% NSR Royalty) for cash in the amount of $1,500,000 at any time.

Assignment of Lease on Montana Creek Placer Project

The Company holds a 100% interest in the Montana Creek Placer Project property where it formerly operated a placer mining operation south of Dawson City, Yukon. The interest in the property is subject to an existing third party 5% royalty on production of gold or other minerals.

Prior to fiscal 2017, the Company received $743,335 in royalty payments pursuant to a lease agreement, which are netted against capitalized exploration and evaluation asset costs on the statements of financial position.

b) Net Smelter Returns

Ontario Claims

The Company holds a 100% interest in the property subject to a 2% NSR of which half can be purchased for $1,000,000. The carrying value was written-down to $nil during the year ended February 28, 2014.

Portuguese Exploration Licenses

The Company previously held five exploration licenses prospective for gold from the Portuguese Department of Energy & Geology.

The Company retains a 2% NSR over the Portuguese exploration licenses, of which Medgold Resource Ltd., a subsidiary of Medgold Resources Corp., may purchase all or parts of the NSR for $1,000,000 per percentage point.

British Columbia (“B.C.”) Claims

The Company held title to a portfolio of mineral claims in south-eastern B.C., prospective for gold and base metals. In May 2020, the Company completed a Property Purchase Agreement (the "Agreement") dated February 14, 2020, with Ximen, whereby the Company sold to Ximen all of its B.C. properties totalling 98 mineral claims and one Crown Granted mineral claim. The Agreement covers four properties, namely Ron Gold (Nelson), Clubine, Hughes, and Quartz Mountain.

The terms for the Agreement were as follows:

- Payment of $100,000 in cash (completed); and
- Payment of 1,000,000 Ximen common shares and 1,000,000 Ximen warrants to purchase 1,000,000 common shares of Ximen at $0.45 per share until March 5, 2022 (completed). The 1,000,000 common shares were valued at $0.41, being the closing price of Ximen on March 5, 2020, and the warrants were valued at $156,332, for total consideration of $566,332.

During the year ended February 29, 2020, reversal of impairment on the B.C. properties was recorded as the sale to Ximen in May 2020 represented an indicator that the B.C. properties’ value has increased; accordingly, reversal of impairment loss was appropriate.

The Company retains a royalty equal to 1% of NSR from minerals produced from its Vine Extension Property, sold to PJX Resources Inc. in 2014.

**(Expressed in Canadian dollars)**

### 8. LEASE PAYABLE

As at February 28, 2022, lease payable of $432,279 was outstanding. The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the life of the lease, which has a term of six years to February 2025.

Information about leases for which the Company is a lessee is presented below:

*Right-of-use asset*

| | |
|---|---|
| Balance - February 29, 2020 | $ 616,172 |
| Depreciation | (123,228) |
| Balance - February 28, 2021 | 492,944 |
| Depreciation | (123,228) |
| Balance - February 28, 2022 | $ 369,716 |

The following table summarizes the Company's lease commitment:

| | |
|---|---|
| Balance - February 29, 2020 | $ 662,898 |
| Lease payments | (156,416) |
| Finance expense | 39,652 |
| Balance - February 28, 2021 | 546,134 |
| Lease payments | (145,613) |
| Finance expense | 31,758 |
| Balance - February 28, 2022 | $ 432,279 |

| | |
|---|---|
| Current lease liability included in lease | $ 123,789 |
| Non-current lease liability included in long-term lease | 308,490 |
| Total | $ 432,279 |

During the year ended February 28, 2022, the Company received $34,200 (2021 - $68,400) in rental income relating to subleases of its office premises to third parties that is recorded as a recovery of rent expense, included in office and miscellaneous in profit or loss. The Company classified these subleases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the rights to use the underlying assets.

The following table summarizes the Company's undiscounted lease payments:

| | February 28, 2022 |
|---|---|
| Short-term portion of the lease (<1 Year) | $ 147,847 |
| Long-term portion of the lease (>1 Year) | 329,883 |
| Total | $ 477,730 |

## 9. RELATED PARTY BALANCES AND TRANSACTIONS

The Company entered into the following transactions and had the following balances payable with related parties. The transactions were recorded at fair value. Balances outstanding are non-interest bearing, unsecured and have no specific terms of repayment.

a) During the year ended February 28, 2022, the Company was charged management fees of $150,000 (2021 - $140,000) by a company owned by the CEO of the Company. Of this amount, $112,500 (2021 - $73,600) was included in additions to exploration and evaluation assets on the statements of financial position. As at February 28, 2022, $26,250 was payable to this Company (February 28, 2021 - $26,250).

b) During the year ended February 28, 2022, the Company was charged $155,167 (2021 - $170,229), $35,167 of which was share issue costs (2021 - $50,229) by a company whose CEO is a director of the Company, for corporate administration services included in consulting in profit or loss.

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

There was $nil for vested stock options granted to directors and officers of the Company, and affiliated companies of directors and officers of the Company, included in share-based compensation during the year ended February 28, 2022 (2021 - $344,175).

## 10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) *Issued during the year ended February 28, 2022*

Non-brokered private placement completed November 2021

The Company issued 11,975,000 flow-through units at a price of $0.20 per flow-through unit for gross proceeds of $2,395,000. Each flow-through unit consists of one flow-through common share and one-half of one warrant, with each whole warrant exercisable at $0.25 per common share until October 22, 2023, or November 17, 2023 (Note 10(c)). The Company allocated $nil value to the warrants.

A flow-through premium liability of $299,375 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at February 28, 2022, the Company has incurred eligible expenditures of $606,254 of the total obligation of $2,395,000, leaving a flow-through premium liability of $223,593.

The Company also issued 6,409,866 non flow-through units at a price of $0.175 per non flow-through unit for gross proceeds of $1,121,727. Each non flow-through unit consists of one common share and one-half of one warrant, with each whole warrant exercisable at $0.25 per common share until October 22, 2023, or November 17, 2023 (Note 10(c)). The Company allocated $nil value to the warrants.

Cash transaction costs of $197,052 were incurred as share issuance costs, and 661,329 warrants were issued as a finder's fee, exercisable at $0.25 per common share until November 17, 2023, with a value of $33,278 in relation to this private placement (Note 10(c)). The finder's warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.25; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.52%; iv) expected life of 2 years; v) no dividend yield.

*Issued during the year ended February 28, 2021*

<u>Non-brokered private placement completed October 2020</u>

The Company issued 8,768,036 flow-through units at a price of $0.30 per flow-through unit for gross proceeds of $2,630,411. Each flow-through unit consists of one flow-through common share and one-half of one warrant, with each whole warrant exercisable at $0.45 per common share until September 22, 2022, or October 19, 2022 (Note 10(c)). The Company allocated $nil value to the warrants.

A flow-through premium liability of $438,402 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at February 28, 2022, the Company has incurred eligible expenditures of $2,630,411 of the total obligation of $2,630,411, leaving a flow-through premium liability of $nil.

The Company also issued 4,680,000 non flow-through units at a price of $0.25 per non flow-through unit for gross proceeds of $1,170,000. Each non flow-through unit consists of one common share and one-half of one warrant, with each whole warrant exercisable at $0.45 per common share until September 22, 2022, or October 19, 2022 (Note 10(c)). The Company allocated $nil value to the warrants.

Cash transaction costs of $290,585 were incurred as share issuance costs, and 70,000 warrants were issued as a finder's fee, exercisable at $0.45 per common share until October 19, 2022, with a value of $4,219 in relation to this private placement (Note 10(c)). The finder's warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.45; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.19%; iv) expected life of 2 years; v) no dividend yield.

<u>Non-brokered private placement completed April 2020</u>

The Company issued 3,481,579 flow-through units at a price of $0.19 per flow-through unit for gross proceeds of $661,500. Each flow-through unit consists of one flow-through common share and one warrant exercisable at $0.25 per common share until April 23, 2022 (Note 10(c)). The Company allocated $nil value to the warrants.

A flow-through premium liability of $52,224 was allocated to the flow-through obligation of this private placement, and the remainder of the proceeds were allocated to share capital. As at February 28, 2021, the Company has incurred eligible expenditures of $661,500 of the total obligation of $661,500, leaving a flow-through premium liability of $nil.

The Company concurrently issued 3,205,643 non flow-through units at a price of $0.175 per non flow-through unit for gross proceeds of $560,988. Each non flow-through unit consists of one common share and one warrant exercisable at $0.25 per common share until April 23, 2022 (Note 10(c)). The Company allocated $nil value to the warrants.

### (Expressed in Canadian dollars)

Cash transaction costs of $68,103 were incurred as share issuance costs, and 157,895 warrants were issued as a finder's fee, exercisable at $0.25 per common share until April 23, 2022, with a value of $11,761 in relation to this private placement (Note 10(c)). The finder's warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.25; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.33%; iv) expected life of 2 years; v) no dividend yield.

c) A summary of the changes in warrants follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, February 29, 2020 | 20,599,556 | $ | 0.34 |
| Issued | 13,639,135 | | 0.35 |
| Balance, February 28, 2021 | 34,238,691 | | 0.35 |
| Issued | 9,853,762 | | 0.25 |
| Expired | (3,611,666) | | 0.35 |
| Balance, February 28, 2022 | 40,480,787 | $ | 0.32 |

As at February 28, 2022, the following warrants were outstanding:

| Outstanding | | Exercise Price | Expiry Date |
|---|---|---|---|
| 9,700,390 | $ | 0.35 | March 18, 2022 |
| 5,575,000 | | 0.30 | April 4, 2022 |
| 6,687,222 | | 0.25 | April 23, 2022 |
| 157,895 | | 0.25 | April 23, 2022 |
| 750,000 | | 0.35 | May 22, 2022 |
| 962,500 | | 0.50 | September 3, 2022 |
| 2,850,351 | | 0.45 | September 25, 2022 |
| 3,873,667 | | 0.45 | October 19, 2022 |
| 70,000 | | 0.45 | October 19, 2022 |
| 5,717,075 | | 0.25 | October 22, 2023 |
| 661,329 | | 0.25 | November 17, 2023 |
| 3,475,358 | | 0.25 | November 17, 2023 |
| 40,480,787 | | | |

During the year ended February 28, 2022, the Company issued 9,853,762 warrants with an exercise price of $0.25 (Note 10(b)).

During the year ended February 28, 2022, 3,611,666 warrants with an exercise price of $0.35 expired.

Subsequent to February 28, 2022, 6,845,117 warrants with an exercise price of $0.25, 5,575,000 warrants with an exercise price of $0.30, and 10,450,390 warrants with an exercise price of $0.35 expired.

## (Expressed in Canadian dollars)

d) The Company has established a "rolling" Stock Option Plan (the "Plan"). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each stock option shall not be greater than 10 years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Stock options granted to consultants performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such stock options vesting in any 3 month period. All other stock options vest at the discretion of the Board of Directors.

A summary of the changes in stock options follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, February 29, 2020 | 9,631,500 | $ | 0.24 |
| Granted | 2,450,000 | | 0.25 |
| Exercised | (162,000) | | 0.12 |
| Cancelled | (250,000) | | 0.26 |
| Balance February 28, 2021, and February 28, 2022 | 11,669,500 | $ | 0.24 |

As at February 28, 2022, the following stock options were outstanding:

| Outstanding | | Exercise Price | Expiry Date |
|---|---|---|---|
| 1,244,500 | $ | 0.12 | December 16, 2024 |
| 805,000 | | 0.19 | April 19, 2026 |
| 660,000 | | 0.28 | June 21, 2026 |
| 400,000 | | 0.30 | September 13, 2026 |
| 1,050,000 | | 0.26 | April 4, 2027 |
| 3,350,000 | | 0.29 | March 28, 2028 |
| 1,710,000 | | 0.21 | May 17, 2029 |
| 2,450,000 | | 0.25 | October 30, 2030 |
| 11,669,500 | | | |

During the year ended February 28, 2021, 2,450,000 stock options were granted to directors, officers, employees, and consultants of the Company. The stock options are exercisable at a price of $0.25 per share until October 30, 2030. Using the Black-Scholes valuation model, the grant date fair value was $407,353, or $0.17 per stock option. The stock options were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.25; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.56%; iv) expected life of 10 years; v) no dividend yield.

## 11. MANAGEMENT OF CAPITAL

The Company manages its components of equity 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 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.

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. In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash on deposit in an interest bearing Canadian chartered bank account.

The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the periods presented.

### 12. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these consolidated financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The levels of the fair value hierarchy are:

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

The fair values of the Company's cash, restricted cash, amounts receivable, reclamation bond, trade and other payables, and lease approximate their carrying value, due to their short-term maturities and market interest rate. Common shares of publicly traded companies included in investments are classified as FVTPL and measured using Level 1 inputs. Warrants of publicly traded companies included in investments are classified as FVTPL and measured using Level 2 inputs.

As at the date of this report, the Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk is attributable to cash, restricted cash and amounts receivable. Cash and restricted cash are held with large Canadian banks or brokerages. Management believes the risk of loss to be remote. The Company's amounts receivable is primarily comprised of amounts owing from Dulac Mining for royalty payments (Note 7(a)) and the Government of Canada for input tax credits receivable. Accordingly, the Company does not believe it is subject to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short-term obligations during the year. The Company is subject to liquidity risk.

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company holds its cash and restricted cash in bank accounts that earn variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values of the Company's cash and restricted cash balances as at the date of this report. The Company does not have any interest bearing debt.

ii) 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 the Company's functional currency. The Company's purchases are predominantly transacted in Canadian dollars.

iii) Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators.

(Expressed in Canadian dollars)

The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## 13. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended February 28, 2022, the Company:

- Incurred exploration and evaluation asset expenses of $41,683 (2021 - $42,236) through trade and other payables.

- Paid no cash for interest or income taxes.

## 14. INCOME TAX NOTE

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

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Loss for the year | $ | (627,642) | $ | (1,316,320) |
| Expected income tax (recovery) | $ | (169,000) | $ | (355,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | | 2,000 | | 10,000 |
| Permanent differences | | (103,000) | | 89,000 |
| Impact of flow through share | | 700,000 | | 353,000 |
| Share issue cost | | (53,000) | | (97,000) |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | | (47,000) | | (121,000) |
| Change in unrecognized deductible temporary differences | | (330,000) | | 121,000 |
| **Total income tax expense (recovery)** | **$** | **-** | **$** | **-** |

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

| | | 2022 | Expiry Date Range | | 2021 | Expiry Date Range |
|---|---|---|---|---|---|---|
| **Temporary Differences** | | | | | | |
| Exploration and evaluation assets | $ | (8,892,000) | No expiry date | $ | (6,484,000) | No expiry date |
| Investment tax credit | | 46,000 | 2022 to 2042 | | 47,000 | 2021 to 2041 |
| Property and equipment | | 999,000 | No expiry date | | 979,000 | No expiry date |
| Share issue costs | | 402,000 | 2043 to 2046 | | 406,000 | 2042 to 2045 |
| Marketable securities | | 285,000 | No expiry date | | 111,000 | No expiry date |
| Allowable capital losses | | 3,410,000 | No expiry date | | 3,412,000 | No expiry date |
| Non-capital losses available for future periods | | 17,312,000 | 2026 to 2042 | | 16,224,000 | 2026 to 2041 |