# KLONDIKE GOLD CORP.

**Condensed Interim**
**Consolidated Financial Statements**

**For The Three Months Ended May 31, 2022 and 2021**
**(Expressed in Canadian Dollars)**
**(Unaudited)**

## NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed interim consolidated financial statements of Klondike Gold Corp. ("Klondike Gold Corp." or the "Company") have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
**(Expressed in Canadian dollars)**
**(Unaudited)**

| | May 31, 2022 | February 28, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | **$ 2,211,097** | $ 2,670,335 |
| Restricted cash (Note 4) | **165,961** | 165,961 |
| Amounts receivable | **130,141** | 145,704 |
| Prepaid expenses and deposits | **101,175** | 116,650 |
| **Total current assets** | **2,608,374** | 3,098,650 |
| Investments (Note 5,7(b)) | **3,450** | 5,850 |
| Reclamation bond | **3,500** | 3,500 |
| Property and equipment (Note 6) | **543,159** | 578,716 |
| Exploration and evaluation assets (Note 7) | **26,714,635** | 26,301,162 |
| **Total assets** | **$ 29,873,117** | $ 29,987,878 |
| **Liabilities** | | |
| Current liabilities | | |
| Trade and other payables | **$ 243,747** | $ 63,579 |
| Due to related parties (Note 9) | **-** | 26,250 |
| Lease liability (Note 8) | **126,424** | 123,789 |
| Flow-through premium (Note 10) | **171,550** | 223,593 |
| **Total current liabilities** | **541,721** | 437,211 |
| Long-term lease liability (Note 8) | **272,377** | 308,490 |
| **Total liabilities** | **814,098** | 745,701 |
| **Equity** | | |
| Share capital (Note 10) | **85,124,258** | 85,124,258 |
| Reserves (Note 10) | **6,863,370** | 6,863,370 |
| Deficit | **(62,928,609)** | (62,745,451) |
| **Total equity** | **29,059,019** | 29,242,177 |
| **Total liabilities and equity** | **$ 29,873,117** | $ 29,987,878 |

Nature of operations and going concern (Note 1)

Approved by the Board of Directors and authorized for issue on July 26, 2022:

"Peter Tallman" Director

"Gordon Keep" Director

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

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
### FOR THE THREE MONTHS ENDED MAY 31, 2022 AND 2021
### (Expressed in Canadian dollars)
### (Unaudited)

| | | 2022 | | 2021 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Consulting (Note 9) | **$** | **60,320** | $ | 844 |
| Depreciation (Note 6) | | **35,557** | | 36,040 |
| Management fees and wages (Note 9) | | **91,293** | | 163,910 |
| Marketing | | **17,735** | | 12,743 |
| Office and miscellaneous (Note 8) | | **13,365** | | 23,033 |
| Professional fees | | **7,557** | | 6,438 |
| Regulatory and transfer agent | | **5,343** | | 7,983 |
| Travel | | **1,269** | | 3,630 |
| | | **(232,439)** | | (254,621) |
| Finance expense (Note 8) | | **(6,844)** | | (8,708) |
| Interest income | | **6,482** | | 3,214 |
| Other income - flow-through (Note 10(b)) | | **52,043** | | 32,062 |
| Unrealized gain (loss) on marketable securities (Note 5) | | **(2,400)** | | (13,073) |
| Unrealized gain (loss) on warrants (Note 5) | | **-** | | (32,000) |
| **Loss and comprehensive loss** | | **(183,158)** | | (273,126) |
| **Basic and diluted loss per common share** | **$** | **(0.00)** | $ | (0.00) |
| **Weighted average number of common shares outstanding** | | **152,079,042** | | 133,694,176 |

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

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**(Expressed in Canadian dollars)**
**(Unaudited)**

| | Share capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Shares issued | Amount | Share premium | Share-based payments | Deficit | Total equity |
| **At February 28, 2021** | 133,694,176 | $ 82,137,236 | $ 27,405 | $ 6,802,687 | $ (62,117,809) | $ 26,849,519 |
| Loss and comprehensive loss | - | - | - | - | (273,126) | (273,126) |
| **At May 31, 2021** | 133,694,176 | $ 82,137,236 | $ 27,405 | $ 6,802,687 | $ (62,390,935) | $ 26,576,393 |
| | | | | | | |
| **At February 28, 2022** | 152,079,042 | $ 85,124,258 | $ 27,405 | $ 6,835,965 | $ (62,745,451) | $ 29,242,177 |
| Loss and comprehensive loss | - | - | - | - | (183,158) | (183,158) |
| **At May 31, 2022** | 152,079,042 | $ 85,124,258 | $ 27,405 | $ 6,835,965 | $ (62,928,609) | $ 29,059,019 |

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

# KLONDIKE GOLD CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
## FOR THE THREE MONTHS ENDED MAY 31, 2022 AND 2021
## (Expressed in Canadian dollars)
## (Unaudited)

| | 2022 | 2021 |
|---|---|---|
| **Operating activities** | | |
| Loss | **$ (183,158)** | $ (273,126) |
| Items not involving cash: | | |
| Depreciation | **35,557** | 36,040 |
| Finance expense | **6,844** | 8,708 |
| Other income - flow-through | **(52,043)** | (32,062) |
| Unrealized loss (gain) on marketable securities | **2,400** | 13,073 |
| Unrealized loss (gain) on warrants | **-** | 32,000 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | **11,342** | 8,418 |
| Prepaid expenses and deposits | **15,476** | (13,525) |
| Trade and other payables | **20,389** | 5,129 |
| Due to related parties | **(26,249)** | - |
| | **(169,442)** | (215,345) |
| **Financing activities** | | |
| Lease payments | **(40,322)** | (39,713) |
| | **(40,322)** | (39,713) |
| **Investing activities** | | |
| Exploration and evaluation asset expenditures | **(249,474)** | (220,286) |
| | **(249,474)** | (220,286) |
| Change in cash | **(459,238)** | (475,344) |
| Cash, beginning | **2,670,335** | 2,853,355 |
| **Cash, end** | **$ 2,211,097** | $ 2,378,011 |

Supplemental cash flow information (Note 13)

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

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Gold Corp. 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 unaudited condensed interim 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 May 31, 2022, the Company had working capital of $2,066,653 (February 28, 2022 - $2,661,439) and cash of $2,211,097 (February 28, 2022 - $2,670,335). For the three months ended May 31, 2022, the Company reported loss of $183,158, and had an accumulated deficit of $62,928,609 at that date (February 28, 2022 - $62,745,451). 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 unaudited condensed interim 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

The Company prepares its annual financial statements 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. These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting and, except as described below, they follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

b) Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these unaudited condensed interim 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.

## 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.

**(Expressed in Canadian dollars)**

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) Accounting Standards, Amendments and Interpretations Not Yet Adopted

Other accounting standards and amendments to existing accounting standards that have been issued and have future effective dates that are not applicable or are not expected to have a significant impact on the Company's financial statements.

### 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 May 31, 2022 (February 28, 2022 - $165,961). The Company has the ability to cancel its credit cards and receive the term deposits in full at any time.

### 5. INVESTMENTS

| | **As of May 31, 2022** | | As of February 28, 2022 | |
|---|---|---|---|---|
| | **Amount** | **Fair Value** | Amount | Fair Value |
| Ximen Mining Corp. shares (Note 7(b)) | **30,000** | **$ 3,450** | 30,000 | $ 5,850 |
| Ximen Mining Corp. warrants (Note 7(b)) | **-** | **-** | 1,000,000 | - |
| | | **$ 3,450** | | $ 5,850 |

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)). During the three months ended May 31, 2022, the 1,000,000 Ximen warrants expired. The fair value of the shares remaining as at May 31, 2022, was $3,450.

(Expressed in Canadian dollars)

## 6. PROPERTY AND EQUIPMENT

| *Cost* | Vehicles | Building | Right-of-use asset | Total |
|---|---|---|---|---|
| Balance February 28, 2021, February 28, 2022, and May 31, 2022 | $ 53,800 | $ 380,000 | $ 739,400 | $ 1,173,200 |
| | | | | |
| ***Accumulated depreciation*** | | | | |
| 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 | 594,484 |
| Depreciation | - | 4,750 | 30,807 | 35,557 |
| Balance May 31, 2022 | $ 53,800 | $ 175,750 | $ 400,491 | $ 630,041 |
| | | | | |
| ***Carrying amount*** | | | | |
| Balance, February 28, 2022 | $ - | $ 209,000 | $ 369,716 | $ 578,716 |
| Balance May 31, 2022 | $ - | $ 204,250 | $ 338,909 | $ 543,159 |

## 7. EXPLORATION AND EVALUATION ASSETS

| | Placer Claims | Quartz Claims | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Acquisition costs:** | | | |
| Balance, February 28, 2022 and May 31, 2022 | 1,167,436 | 4,885,243 | 6,052,679 |
| | | | |
| **Exploration costs:** | | | |
| Balance, February 28, 2022 | 77,120 | 21,016,934 | 21,094,054 |
| Camp supplies | - | 14,839 | 14,839 |
| Consulting & wages | - | 113,684 | 113,684 |
| Drilling | - | 153,055 | 153,055 |
| Fuel | - | 17,148 | 17,148 |
| Lab analysis | - | 5,122 | 5,122 |
| Property maintenance | - | 22,106 | 22,106 |
| Surveying | - | 81,855 | 81,855 |
| Travel | - | 1,444 | 1,444 |
| Balance, May 31, 2022 | 77,120 | 21,426,187 | 21,503,307 |
| | | | |
| **Royalty payments:** | | | |
| Balance, May 31, 2022 | (841,351) | - | (841,351) |
| | | | |
| **Total costs:** | | | |
| Balance, May 31, 2022 | 403,205 | 26,311,430 | 26,714,635 |

(Expressed in Canadian dollars)

| | 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 |

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.

Assignment of Lease on Upper Eldorado Creek Property

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. As at May 31, 2022, the Company has accrued $98,016 in royalty payments which was netted against capitalized exploration and evaluation asset costs (February 28, 2022 - $102,236).

Acquisition of Sophie claims

During fiscal 2020, 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.

Acquisition of Burkhard claims

During fiscal 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.

Acquisition of Gimlex claims

During fiscal 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 fiscal 2014.

Portuguese Exploration Licenses

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

**(Expressed in Canadian dollars)**

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 fiscal 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 fiscal 2014.

## 8. LEASE PAYABLE

As at May 31, 2022, lease payable of $398,801 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 28, 2021 | $ 492,944 |
| Depreciation | (123,228) |
| Balance - February 28, 2022 | 369,716 |
| Depreciation | (30,807) |
| Balance - May 31, 2022 | $ 338,909 |

(Expressed in Canadian dollars)

The following table summarizes the Company's lease commitment:

| | | |
|---|---|---|
| Balance - February 28, 2021 | $ | 546,134 |
| Lease payments | | (145,613) |
| Finance expense | | 31,758 |
| Balance - February 28, 2022 | | 432,279 |
| Lease payments | | (40,322) |
| Finance expense | | 6,844 |
| Balance - May 31, 2022 | $ | 398,801 |

| | | |
|---|---|---|
| Current lease liability included in lease | $ | 126,424 |
| Non-current lease liability included in long-term lease | | 272,377 |
| Total | $ | 398,801 |

During the three months ended May 31, 2022, the Company received $8,550 (2021 - $8,550) 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:

| | | May 31, 2022 |
|---|---|---|
| Short-term portion of the lease (<1 Year) | $ | 148,456 |
| Long-term portion of the lease (>1 Year) | | 288,952 |
| Total | $ | 437,408 |

## 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 three months ended May 31, 2022, the Company was charged management fees of $37,500 (2021 - $37,500) by a company owned by the CEO of the Company. Of this amount, $18,750 (2021 - $22,500) was included in additions to exploration and evaluation assets on the statements of financial position. As at May 31, 2022, $nil was payable to this Company (February 28, 2022 - $26,250).

b) During the three months ended May 31, 2022, the Company was charged $30,000 (2021 - $30,000) 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 three months ended May 31, 2022 (2021 - $nil).

## 10. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) Issued during the three months ended May 31, 2022

There were no common shares issued during the three months ended May 31, 2022.

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 May 31, 2022, the Company has incurred eligible expenditures of $1,022,598 of the total obligation of $2,395,000, leaving a flow-through premium liability of $171,550.

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.

**(Expressed in Canadian dollars)**

c) A summary of the changes in warrants follows:

| | Number of Warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| 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 |
| Expired | (22,870,507) | | 0.31 |
| Balance, May 31, 2022 | 17,610,280 | $ | 0.34 |

As at May 31, 2022, the following warrants were outstanding:

| Outstanding | | Exercise Price | Expiry Date |
|---|---|---|---|
| 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 |
| 17,610,280 | | | |

During the three months ended May 31, 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.

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.

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.

(Expressed in Canadian dollars)

A summary of the changes in stock options follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance February 28, 2021 and 2022 | 11,669,500 | $ | 0.24 |
| Cancelled | (1,050,000) | | 0.25 |
| Balance May 31, 2022 | 10,619,500 | $ | 0.24 |

As at May 31, 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 |
| 900,000 | | 0.26 | April 4, 2027 |
| 2,950,000 | | 0.29 | March 28, 2028 |
| 1,335,000 | | 0.21 | May 17, 2029 |
| 2,325,000 | | 0.25 | October 30, 2030 |
| 10,619,500 | | | |

During the three months ended May 31, 2022, 375,000 stock options with an exercise price of \$0.21, 125,000 stock options with an exercise price of \$0.25, 150,000 stock options with an exercise price of \$0.26, and 400,000 stock options with an exercise price of \$0.29 were cancelled.

## 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 unaudited condensed interim 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.

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 three months ended May 31, 2022, the Company:

- Incurred exploration and evaluation asset expenses of $201,462 (February 28, 2022 - $41,683) through trade and other payables.

- Paid no cash for interest or income taxes.