LABRADOR GOLD CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2021

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice To Reader

The accompanying unaudited condensed interim financial statements of Labrador Gold Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

Labrador Gold Corp.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

	As at December 31, 2021	As at September 30, 2021
ASSETS		
Current		
Cash	**$ 30,763,852**	$ 33,245,743
Amounts receivable	**355,993**	456,079
Prepaid expenses	**138,508**	69,694
Total current assets	**31,258,353**	33,771,516
Non-current assets		
Equipment	**5,692**	6,221
Unproven mineral right interests (note 7)	**15,492,240**	12,617,438
Total assets	**$ 46,756,285**	$ 46,395,175
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (note 6)	**$ 726,404**	$ 474,826
Deferred flow-through premium liability (note 5)	**399,622**	1,144,254
Total liabilities	**1,126,026**	1,619,080
Shareholders' equity		
Share capital (note 5)	**55,915,813**	55,513,015
Share-based payments reserve (note 5)	**4,537,584**	4,713,305
Deficit	**(14,823,138)**	(15,450,225)
Total shareholders' equity	**45,630,259**	44,776,095
Total liabilities and shareholders' equity	**$ 46,756,285**	$ 46,395,175

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

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

"James Borland", Director

"Trevor Boyd", Director

Labrador Gold Corp.

Condensed Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Operating expenses		
Consulting and management fees (note 6)	**$ 18,220**	$ 22,500
Corporate development	**39,849**	40,097
Office and miscellaneous	**16,075**	12,387
Professional fees (note 6)	**23,813**	46,700
Regulatory and transfer fees	**14,614**	6,919
Share-based compensation (note 5)	**-**	346,010
Shareholder communications	**8,156**	19,751
Amortization expense	**1,070**	-
Loss before other items	**(121,797)**	(494,364)
Other items		
Flow-through premium (note 5)	**744,632**	8,560
Other income	**4,252**	-
Net income (loss) and comprehensive income (loss) for the period	**$ 627,087**	$ (485,804)
Basic and diluted net income (loss) per share	**$ 0.00**	$ (0.00)
Weighted average number of common shares outstanding	**153,742,799**	106,422,273

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

Labrador Gold Corp.
Condensed Interim Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Operating activities		
Net income (loss) for the period	**$ 627,087**	$ (485,804)
Adjustments for:		
Share-based compensation	**-**	346,010
Flow-through premium recovery	**(744,632)**	(8,560)
Amortization	**1,070**	-
Changes in non-cash working capital items:		
Amounts receivable	**100,086**	(163,690)
Prepaid expenses	**(68,814)**	(5,863)
Accounts payable and accrued liabilities	**51,577**	166,582
Net cash used in operating activities	**(33,626)**	(151,325)
Investing activities		
Unproven mineral right interests - acquisition	**-**	(100,000)
Unproven mineral right interests - exploration	**(2,674,802)**	(1,179,326)
Purchase of equipment	**(540)**	-
Net cash used in investing activities	**(2,675,342)**	(1,279,326)
Financing activities		
Issue of common shares for cash	**-**	4,050,000
Share issue costs	**-**	(202,110)
Exercise of options	**191,077**	-
Exercise of warrants	**36,000**	2,629,974
Net cash provided by financing activities	**227,077**	6,477,864
Net change in cash	**(2,481,891)**	5,047,213
Cash, beginning of period	**33,245,743**	6,298,629
Cash, end of period	**$ 30,763,852**	$ 11,345,842

Supplemental Information

Acquisition of unproven mineral interests	**$ -**	$ 336,000

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

Labrador Gold Corp.
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share Capital Number	Share Capital Amount	Share-based payments reserve	Deficit	Total
Balance, September 30, 2020	**93,374,175**	**$ 23,561,123**	**$ 2,715,991**	**$ (12,707,683)**	**$ 13,569,431**
Issuance of common shares in private placements	7,500,000	4,050,000	-	-	4,050,000
Share issue costs	-	(202,110)	-	-	(202,110)
Fair value of warrants	-	(1,275,000)	1,275,000	-	-
Warrants exercised	8,627,286	2,591,186	-	-	2,591,186
Broker units exercised	221,643	38,788	-	-	38,788
Acquisition of unproven mineral interests	800,000	336,000	-	-	336,000
Share-based compensation	-	-	346,010	-	346,010
Net loss for the period	-	-	-	(485,804)	(485,804)
Balance, December 31, 2020	**110,523,104**	**$ 29,099,987**	**$ 4,337,001**	**$ (13,193,487)**	**$ 20,243,501**
Balance, September 30, 2021	**153,311,033**	**$ 55,513,015**	**$ 4,713,305**	**$ (15,450,225)**	**$ 44,776,095**
Options exercised	423,077	366,798	(175,721)	-	191,077
Warrants exercised	120,000	36,000	-	-	36,000
Net income for the period	-	-	-	627,087	627,087
Balance, December 31, 2021	**153,854,110**	**$ 55,915,813**	**$ 4,537,584**	**$ (14,823,138)**	**$ 45,630,259**

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

1. Nature of business and going concern

Labrador Gold Corp. ("Labrador Gold" or the "Company") is a company involved in the acquisition and exploration of prospective gold projects in the Americas. It was incorporated under the Business Corporations Act (British Columbia) in 1987. Effective July 1, 2021, the Company filed Articles of Continuance to continue into Ontario and is now subject tothe provisions of the Business Corporations Act (Ontario). The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "LAB" and the OTCQX Exchange in the United States under the symbol "NKOSF". Its principal office is located at 82 Richmond Street East, Toronto, ON, Canada M5C 1P1.

The Company is focused on conducting gold exploration in the province of Newfoundland and Labrador, Canada, and also has mineral right interests in Ontario, Canada. At the date of these financial statements, the Company has not yet determined whether any of its mineral interests contain economic mineral reserves. Accordingly, the carrying amount of its mineral right interests represents the cumulative acquisition costs and exploration expenditures incurred to date, which does not necessarily reflect present or future values. The recovery of these costs is dependent on the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to undertake continuing exploration and development, and to resolve any environmental, regulatory or other constraints.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is a mineral exploration company with a history of recurring losses and without a source of revenue. At December 31, 2021, the Company had no source of operating cash flow. Operations in recent years have been funded from the issuance of share capital and cash on hand.

Given its current stage of operations, the Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. In the event the Company is unable to raise adequate financing or meet its current obligations, the carrying value of the Company's unproven mineral right interests could be subject to adjustments. At December 31, 2021, the Company believes it has sufficient funds to finance its operations for the current fiscal year.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknownat this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate thelength and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. Basis of Preparation

Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These interim financial statements do not include all the information required for a complete set of IFRS statements. However, selected notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements as at and for the year ended September 30, 2021.

These unaudited condensed interim financial statements were authorized for issue by the board of directors of the Company on February 25, 2022.

(Expressed in Canadian Dollars)

3. Significant accounting policies

These unaudited condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the Company's most recent annual financial statements.

4. Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these unaudited condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended September 30, 2021.

5. Equity

(a) Authorized

An unlimited number of common shares without par value

(b) Issued and outstanding

	Number of common shares	Amount
Balance, September 30, 2020	93,374,175	$ 23,561,123
Private placements (i)	7,500,000	4,050,000
Flow-through premium liability (i)	-	(1,275,000)
Share issuance costs (i)	-	(202,110)
Warrants exercised	8,627,286	2,591,186
Broker units exercised	221,643	38,788
Acquisition of unproven mineral right interests (note 7)	800,000	336,000
Balance, December 31, 2020	110,523,104	29,099,987
Private placements (ii)(iii)	30,666,667	24,800,000
Fair value of warrants (iii)	-	(1,333,333)
Flow-through premium liability (ii)	-	(1,400,000)
Share issuance costs (ii)(iii)	-	(81,424)
Options exercised	1,000,256	565,496
Warrants exercised	9,724,856	2,892,457
Broker units exercised	556,150	227,982
Acquisition of unproven mineral right interests (note 7)	840,000	741,850
Balance, September 30, 2021	153,311,033	55,513,015
Options exercised (iv)	423,077	366,798
Warrants exercised (v)	120,000	36,000
Balance, December 31, 2021	153,854,110	$ 55,915,813

5. Equity (continued)

(b) Issued and outstanding (continued)

(i) On October 29, 2020, the Company closed a non-brokered private placement with the sale of 7,500,000 flow-through units of the company at a price of $0.54 per unit for gross proceeds of $4,050,000. Each unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.60 until October 29, 2022. In connection with the private placement, the Company incurred cash share issuance costs of $202,110. The Company recognized the receipt of $1,275,000 as a deferred flow-through premium liability.

(ii) On April 16, 2021, the Company closed a non-brokered private placement with the sale of 14,000,000 flow-through units of the Company at a price of $0.70 per unit for gross proceeds of $9,800,000. Each unit is comprised of one common share of the Company and one half common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.75 until April 16, 2023. In connection with the private placement, the Company incurred cash share issuance costs of $81,424. The Company recognized the receipt of $1,400,000 as a deferred flow-through premium liability.

(iii) On May 18, 2021, the Company closed a non-brokered private placement with the sale of 16,666,667 units of the Company at a price of $0.90 per unit for gross proceeds of $15,000,000. Each unit is comprised of one common share of the Company and one half common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $1.05 until May 15, 2023. The Company allocated the receipt of $1,333,333 to the fair value of the warrants.

(iv) During the three months ended December 31, 2021, the Company received proceeds of $191,077 from the exercise of 423,077 share purchase options. The fair value of $175,721 attributable to these options was transferred from the share-based payments reserve to share capital upon exercise.

(v) During the three months ended December 31, 2021, the Company received proceeds of $36,000 from the exercise of 120,000 warrants, including nil broker’s warrants (three months ended December 31, 2020 – proceeds of $2,629,974 from the exercise of 8,848,929 warrants, including 221,643 broker’s warrants). The fair value of $nil attributable to these warrants was transferredfrom the share-based payments reserve to share capital upon exercise.

(c) Share-based payment reserve

Share-based payments reserve consists of the accumulated fair value of common share options, share purchase warrants and broker units recognized as share-based payments, net of the fair values of common share options, share purchase warrants and broker units transferred to share capital upon exercise.

(Expressed in Canadian Dollars)

5. Equity (continued)

(d) Share purchase options

The following table reflects the continuity of stock options for the periods ended December 31, 2021 and 2020:

	Number of stock options	Weighted average exercise price
Balance, September 30, 2020	6,510,000	$ 0.32
Granted (i)(ii)	950,000	0.45
Balance, December 31, 2020	7,460,000	0.34
Granted (iii)(iv)	900,000	0.71
Exercised	(1,000,256)	0.32
Balance, September 30, 2021	7,359,744	0.42
Exercised	(423,077)	0.45
Balance, December 31, 2021	6,936,667	$ 0.42

(i) On October 8, 2020, the Company granted 450,000 share purchase options to a consultant and an officer, exercisable at a price of $0.45 per share until October 8, 2025. A fair value of $187,336 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $0.46; dividend yield - 0%; expected volatility - 148%; risk-free interest rate - 0.37%; and an expected life - 5 years. The options vested immediately upon grant.

(ii) On December 21, 2020, the Company granted 500,000 share purchase options to a consultant, exercisable at a price of $0.45 per share until December 21, 2025. A fair value of $158,674 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $0.36; dividend yield - 0%; expected volatility - 144%; risk-free interest rate - 0.44%; and an expected life - 5 years. The options vested immediately upon grant.

(iii) On March 24, 2021, the Company granted 300,000 share purchase options to a consultant, exercisable at a price of $0.48 per share until March 24, 2026. A fair value of $119,600 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $0.455; dividend yield - 0%; expected volatility - 138%; risk-free interest rate - 0.95%; and an expected life - 5 years. The options vested immediately upon grant.

(iv) On June 4, 2021, the Company granted 600,000 share purchase options to a consultant, exercisable at a price of $1.24 per share until June 4, 2023. A fair value of $569,700 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $1.49; dividend yield - 0%; expected volatility - 119%; risk-free interest rate - 0.32%; and an expected life - 2 years. The options vested immediately upon grant.

During the three months ended December 31, 2021, $nil (three months ended December 31, 2020 - $346,010) was expensed to share-based compensation.

(Expressed in Canadian Dollars)

5. Equity (continued)

(d) Share purchase options (continued)

The following table reflects the share purchase options issued and outstanding as of December 31, 2021:

Expiry Date	Exercise price ($)	Remaining contractual life (years)	Number of options outstanding	Vested and exercisable
March 6, 2022	0.10	0.18	300,000	300,000
December 13, 2022	0.20	0.95	1,320,000	1,320,000
May 15, 2024	0.25	2.37	1,300,000	1,300,000
September 9, 2024	0.25	2.69	100,000	100,000
July 27, 2025	0.45	3.57	3,150,000	3,150,000
March 24, 2026	0.48	4.23	166,667	166,667
June 4, 2023	1.24	1.42	600,000	600,000
	0.42	2.52	6,936,667	6,936,667

(e) Share purchase warrants

The following table reflects the continuity of warrants for the periods ended December 31, 2021 and 2020:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2020	37,665,472	$ 0.30
Issued	7,500,000	0.60
Exercised	(8,848,929)	0.30
Expired	(230,000)	0.31
Balance, December 31, 2020	36,086,543	0.36
Issued	15,333,333	0.81
Exercised	(10,281,006)	0.29
Expired	(50,000)	0.26
Balance, September 30, 2021	41,088,870	0.58
Exercised	(120,000)	0.30
Balance, December 31, 2021	40,968,870	$ 0.58

The following table reflects the share purchase warrants issued and outstanding as of December 31, 2021:

Expiry Date	Exercise price ($)	Remaining Contractual life (years)	Number of warrants outstanding
June 19, 2022	0.30	0.47	4,000,000
June 26, 2022	0.30	0.48	13,734,287
June 26, 2022	0.18	0.48	401,250
October 29, 2022	0.60	0.83	7,500,000
April 16, 2023	0.75	1.29	7,000,000
May 15, 2023	1.05	1.37	8,333,333
	0.58	0.87	40,968,870

(Expressed in Canadian Dollars)

6. Related party transactions

Related parties include the Company's officers, Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Management and consulting fees	**$ 19,560**	$ 22,500
Geological consulting fees	**22,440**	13,500
Professional fees	**7,170**	6,925
	$ 49,170	$ 42,925

During the three months ended December 31, 2021, the Company incurred management and consulting fees of $19,560 (three months ended December 31, 2020 - $22,500) and geological consulting fees of $22,440 (three months ended December 31, 2020 - $13,500) for services provided by a company controlled by the Company's CEO. As at December 31, 2021, $10,560 (September 30, 2021 - $nil) is included in accounts payable and accrued liabilities with respect to the fees. These amounts are unsecured, non- interest bearing, with no fixed terms of repayment.

Management fees to the Company’s CEO are paid pursuant to a consulting agreement under which Moss Exploration Services received a monthly fee of $12,000 as of September 1, 2020 and $14,000 as at October 1, 2021. The Company can terminate the agreement with three months’ notice, or payment of the fees during the termination period in lieu of notice.

For the three months ended December 31, 2021, the Company paid or accrued $7,170 in professional fees (three months ended December 31, 2020 - $6,925) to Marrelli Support Services Inc. ("Marrelli") for Eric Myung, an employee of Marrelli, to act as the CFO of the Company. As at December 31, 2021, $4,402 (September 30, 2021 - $1,503) is included in accounts payable and accrued liabilities with respect to the fees. These amounts are unsecured, non- interest bearing, with no fixed terms of repayment.

(Expressed in Canadian Dollars)

7. Unproven mineral right interests

	December 31, 2021	September 30, 2021
Labrador Properties		
Acquisition	$ 1,533,347	$ 1,533,347
Deferred exploration	2,441,543	2,441,542
	3,974,890	**3,974,889**
Borden Lake Property		
Acquisition	314,185	314,185
Deferred exploration	615,950	615,950
	930,135	**930,135**
Kingsway Property		
Acquisition	858,650	858,650
Deferred exploration	9,682,087	6,844,194
	10,540,737	**7,702,844**
Scotch Property		
Acquisition	17,570	17,570
Deferred exploration	36,908	-
Recoveries	(8,000)	(8,000)
	46,478	**9,570**
	$ 15,492,240	**$ 12,617,438**

Ownership in mineral right interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the ambiguous conveyance history of many mineral right interests. The Company has investigated ownership of its mineral right interests and, to the best of its knowledge, ownership of its interests are in good standing.

Labrador Properties

On September 5, 2017, the Company entered into a Letter of Intent (“LOI”) that grants the Company the option to earn a 100% interest in the Ashuanipi, Nain and Hopedale properties, located in Labrador (the “Labrador Properties”).

7. Unproven mineral right interests (continued)

Labrador Properties (continued)

To exercise the option, the Company must complete the following:

- On receipt of TSX-V approval: payment of $75,000 and issuance of 450,000 shares in respect of each of the three Labrador Properties (completed);
- On or before September 5, 2018: payment of $100,000 and issuance of 300,000 shares in respect of each property (completed with the payment of $200,000 and issuance of 600,000 shares on the Ashuanipi and Hopedale properties, as the Company dropped its option on the Nain property);
- On or before September 5, 2019: payment of $75,000 and issuance of 175,000 shares in respect of the Ashuanipi property and payment of $150,000 and issuance of 350,000 shares in respect of the Hopedale property (completed);
- On or before September 5, 2020: payment of $50,000 and issuance of 400,000 shares in respect of each of the Ashuanipi and Hopedale properties (completed);
- On or before September 5, 2021: payment of $100,000 and issuance of 675,000 shares in respect of the Ashuanipi property and payment of $100,000 and issuance of 500,000 shares in respect of the Hopedale property (completed with the payment of $100,000 and issuance of 500,000 shares on the Hopedale property, as the Company dropped its option on the Ashuanipi property);
- On or before September 5, 2022: payment of $150,000 in respect of the Hopedale property; and
- On or before September 5, 2023: payment of $125,000 in respect of the Hopedale property.

The vendors of the Labrador Properties retain a 2% net smelter return “(NSR”) royalty, half of which may be bought back by the Company at any time for $2 million plus $1 per ounce of gold in measured and indicated resources. An advance royalty of $25,000 per annum for each property will be payable starting in 2024.

During the year ended September 30, 2018, the Company terminated its option to acquire the Nain property.

During the year ended September 30, 2021, the Company terminated its option to acquire the Ashuanipi Property and returned the property to the vendor. The Company had been unable to perform any work on the project since 2019 due to a request by the First Nations. The Company was not able to reach an agreement with the First Nations to carry out any work on the property and does not expect to return to work at Ashuanipi at any time in the near term.

The Company maintains its interest in the Hopedale Property. On December 7, 2020, the LOI was replaced with the Hopedale Option Agreement, which contains the same terms as those of the LOI. In June 2021, the Company staked additional new claims at the Hopedale property. The new claims are subject to the 2% NSR held by the vendors of the Labrador property. Also, during the year ended September 30, 2021, the Company abandoned certain claims at the Hopedale property that had been staked in May 2018 and were being earned into by the Company under the terms of the LOI.

Borden Lake Property

The Company has a 100% undivided interest in the Borden Lake Property located near Chapleau Ontario. The original vendors of the Borden Lake Property retain a 2% NSR royalty, half of which may be bought back by the Company for $1 million at any time.

7. Unproven mineral right interests (continued)

Kingsway Property

On March 3, 2020, the Company acquired an option to earn a 100% interest in the Gander Property, subsequently renamed the Kingsway Property ("Kingsway"), near Gander, Newfoundland. To exercise the option, the Company must complete the following:

- As consideration for the option: payment of $250,000 and issuance of 400,000 common shares (completed);
- On or before March 3, 2021: payment of $150,000 cash and issuance of 250,000 common shares (completed);
- On or before March 3, 2022: payment of $150,000 cash and issuance of 300,000 common shares;
- On or before March 3, 2023: payment of $200,000 cash and issuance of 350,000 common shares;
- On or before March 3, 2024: payment of $250,000 cash and issuance of 400,000 common shares;
- On or before March 3, 2025: payment of $250,000 cash and issuance of 300,000 common shares;
- Incur $750,000 in expenditures on each of two licenses ($1.5 million total) over the first four years of the option; and
- Complete additional payments totaling $2.25 million based on exploration expenditures incurred, as follows:
  - $750,000 upon incurring an aggregate of $10 million in expenditures on one of the licenses;
  - $750,000 upon incurring an aggregate of $20 million in expenditures on one of the licenses; and
  - $750,000 upon incurring an aggregate of $30 million in expenditures on one of the licenses

The Company will also grant to the optionor a 1% NSR plus $1 per ounce of gold in the measured and indicated resources for the property. An advance royalty of $50,000 per annum for each property will be payable once the Company exercises the option.

On July 6, 2020, the Company entered into an option agreement to acquire 100% of License 023940M which is strategically positioned between the Kingsway North and South claim blocks.

The Company can earn an initial 75% undivided property interest by completing the following:

- Cash payment of $18,000 and issuance of 30,000 common shares, within 5 business days of TSXV acceptance of the option agreement (completed);
- Cash payment of $36,000, issuance of 90,000 common shares and incurring $100,000 in property work expenditures on or before the first anniversary of the option agreement (completed);
- Cash payment of $75,000, issuance of 120,000 common shares and incurring an additional $250,000 (cumulative $350,000) in property work expenditures on or before the second anniversary of the option agreement; and
- Cash payment of $90,000, issuance of 150,000 common shares and incurring an additional $650,000 (cumulative $1 million) in property work expenditures on or before the third anniversary of the option agreement.

If the Company exercises the initial 75% option and satisfies all payment requirements, the Company has the option to acquire the remaining 25% interest by making a cash payment of $240,000 and incurring a further $1 million in property work expenditures on or before the fourth anniversary of the option agreement.

If the Company only exercises the option to earn an initial 75% property interest but does not exercise the option to acquire the remaining 25% interests, the parties will form an unincorporated joint venture.

Scotch Property

In March 2021, the Company acquired by staking a 100% undivided interest in the Scotch Property. The Scotch Property is located southwest of Moncton, New Brunswick.

8. Liability and income tax effect on flow-through shares

Funds raised through the issuance of flow-through shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

During the year ended September 30, 2021, the Company issued an aggregate of 21,500,000 flow-through units for gross proceeds of $13,850,000, and recognized total deferred flow-through premium liabilities of $2,675,000. As at December 31, 2021, the Company had spent $8,367,000 of the flow-through funds and must incur an additional $5,483,000 in qualifying flow-through expenditures prior to December 31, 2022.

During the three months ended December 31, 2021, the Company recognized a flow-through recovery of $744,632 (three months ended December 31, 2020 - $8,560). As at December 31, 2021, the deferred flow-through premium liability was $399,622 (September 30, 2021 - $1,144,254).