# GALLEON GOLD CORP.

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended May 31, 2022 and 2021

(Expressed in Canadian Dollars)

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed an audit or review of these condensed interim condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada.

**GALLEON GOLD CORP.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
**(Expressed in Canadian dollars)**

| **As at** | **Notes** | | **May 31, 2022 (unaudited)** | | **November 30, 2021** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | 4 | $ | 3,324,280 | $ | 1,074,656 |
| Restricted cash equivalents | 4 | | 40,000 | | 40,000 |
| Taxes receivable | 5 | | 86,352 | | 105,303 |
| Prepaid expenses | | | 190,478 | | 87,995 |
| Marketable securities | 6 | | 281,602 | | 544,084 |
| **Total current assets** | | | 3,922,712 | | 1,852,038 |
| Property, plant and equipment | 7 | | 170,830 | | 191,948 |
| Exploration and evaluation assets | 8 | | 23,049,059 | | 22,141,630 |
| Royalty interest | 9 | | 1 | | 1 |
| Reclamation bond | 8 | | 110,670 | | 111,930 |
| **Total assets** | | $ | 27,253,272 | $ | 24,297,547 |
| **Liabilities and shareholders' equity** | | | | | |
| **Current** | | | | | |
| Account payable and accrued liabilities | 10 | $ | 1,385,368 | $ | 1,672,634 |
| Accrued penalties and part XII.6 taxes | 20 | | 1,881,698 | | 1,881,698 |
| Current portion of mortgage payable | 11 | | 149,936 | | 145,644 |
| **Total current liabilities** | | | 3,417,002 | | 3,699,976 |
| Flow-through share premium liability | 22 | | 279,065 | | - |
| **Total Liabilities** | | | 3,696,067 | | 3,699,976 |
| **Shareholders' equity** | | | | | |
| Share capital | 12 | | 77,083,161 | | 74,508,589 |
| Reserves | 13 | | 8,491,803 | | 8,520,673 |
| Accumulated other comprehensive income | | | 1,409,625 | | 1,415,742 |
| Deficit | | | (63,427,384) | | (63,847,433) |
| Total shareholders' equity | | | 23,557,205 | | 20,597,571 |
| **Total liabilities and shareholders' equity** | | $ | 27,253,272 | $ | 24,297,547 |

***NATURE OF OPERATIONS AND GOING CONCERN (Note 1)***
***COMMITMENTS AND CONTINGENT LIABILITIES (Note 20)***

Approved on behalf of the board of directors:

*"R. David Russell"*
R. David Russell, Director

*"Thomas S. Kofman"*
Thomas Kofman, Director

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

**GALLEON GOLD CORP.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

**(Expressed in Canadian dollars)**

**(Unaudited)**

| | | Three months ended | | Six months ended | |
|---|---|---|---|---|---|
| | **Note** | **May 31, 2022** | **May 31, 2021** | **May 31, 2022** | **May 31, 2021** |
| **Expenses** | | | | | |
| Administration and general | 14 | $ 1,153,973 | $ 1,177,018 | $ 1,597,074 | $ 1,851,244 |
| Business Development | | - | 33,454 | - | 60,956 |
| Exploration and evaluation assets impairment loss | 8 | 832 | 507 | 1,482 | 1,459 |
| **Operating loss** | | (1,154,805) | (1,210,979) | (1,598,556) | (1,913,659) |
| **Other income (expenses):** | | | | | |
| Interest income (expense) | | (9,781) | 5,587 | (8,591) | 9,030 |
| Dividend income | 6 | 100,587 | - | 100,587 | - |
| Finance expense | 11 | (2,185) | (2,061) | (4,292) | (4,055) |
| Gain on sale of exploration and evaluation properties | 8 | 999,100 | 250,000 | 999,100 | 250,000 |
| Unrealized gain on marketable securities | 6 | (158,093) | (148,236) | (344,149) | (18,980) |
| Realized gain on marketable securities | 6 | 4,320 | 158,329 | 4,320 | 158,329 |
| Flow-through premium income | 20 | 14,856 | 470,927 | 14,856 | 1,033,507 |
| Foreign exchange loss | | 1,062 | (706) | 157 | (1,065) |
| **Net loss for the period** | | $ (204,939) | $ (477,139) | $ (836,568) | $ (486,893) |
| **Other comprehensive loss** | | | | | |
| Currency translation adjustment | | (1,208) | (31,050) | (6,117) | (51,348) |
| **Total comprehensive loss for the period** | | $ (206,147) | $ (508,189) | $ (842,685) | $ (538,241) |
| **Loss per share - basic and diluted** | | $ (0.00) | $ (0.01) | $ (0.02) | $ (0.01) |
| **Weighted average number of shares** | | 47,985,964 | 47,069,619 | 47,540,930 | 46,699,630 |

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

**GALLEON GOLD CORP.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**(Expressed in Canadian dollars)**
**(Unaudited)**

| | | Reserves | | | | |
|---|---|---|---|---|---|---|
| | Share Capital | Share based payments | Warrants | Accumulated other comprehensive income | Deficit | Total shareholders' equity (deficit) |
| **Balance, November 30, 2021** | $ 74,508,589 | $ 1,513,109 | $ 7,007,564 | $ 1,415,742 | $ (63,847,433) | $ 20,597,571 |
| Net loss | - | - | - | - | (836,568) | (836,568) |
| Issued on private placement (Note 12) | 2,330,072 | - | 756,373 | - | - | 3,086,445 |
| Shares issued for West Cache (Note 8) | 244,500 | - | - | - | - | 244,500 |
| Share-based compensation (Note 13) | - | 471,374 | - | - | - | 471,374 |
| Expiry of warrants (Note 13) | - | - | (1,256,617) | - | 1,256,617 | - |
| Currency translation | - | - | - | (6,117) | - | (6,117) |
| **Balance, May 31, 2022** | $ 77,083,161 | $ 1,984,483 | $ 6,507,320 | $ 1,409,625 | $ (63,427,384) | $ 23,557,205 |
| | | | | | | |
| **Balance, November 30, 2020** | $ 73,778,988 | $ 980,602 | $ 6,841,766 | $ 1,431,033 | $ (63,480,571) | $ 19,551,818 |
| Net loss | - | - | - | - | (486,893) | (486,893) |
| Shares issued for a settlement (Note 12) | 701,112 | - | 93,150 | - | - | 794,262 |
| Exercise of warrants (Note 13) | 23,284 | - | (12,148) | - | - | 11,136 |
| Expiry of options (Note 13) | - | (31,591) | - | - | 31,591 | - |
| Share-based compensation (Note 13) | - | 568,969 | - | - | - | 568,969 |
| Extension of warrants (Note 13) | - | - | 73,365 | - | (73,365) | - |
| Currency translation | - | - | - | (51,348) | - | (51,348) |
| **Balance, May 31, 2021** | $ 74,503,384 | $ 1,517,980 | $ 6,996,133 | $ 1,379,685 | $ (64,009,238) | $ 20,387,944 |

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

**GALLEON GOLD CORP.**
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Expressed in Canadian dollars)**
**(Unaudited)**

| For the six months ended | | May 31, 2022 | | May 31, 2021 |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Net loss for the period | $ | (836,568) | $ | (486,893) |
| Items not affecting cash: | | | | |
| Depreciation | | 19,333 | | 14,183 |
| Finance expense | | 4,292 | | 4,055 |
| Dividend income | | (100,587) | | - |
| Share-based compensation | | 471,374 | | 444,507 |
| Unrealized loss on marketable securities | | 344,149 | | 18,980 |
| Realized gain on marketable securities | | (4,320) | | (158,329) |
| Gain on sale of exploration and evaluation properties | | (999,100) | | - |
| Impairment of exploration and evaluation properties | | 1,482 | | 1,459 |
| Flow-through premium income | | (14,856) | | (1,033,507) |
| Changes in non-cash working capital items: | | | | |
| Taxes receivable | | 18,951 | | 40,319 |
| Prepaid expenses | | (102,483) | | (241) |
| Accounts payable and accrued liabilities | | (407,126) | | (16,950) |
| **Total cash flow used in operating activities** | | (1,605,459) | | (1,172,417) |
| **Investing activities** | | | | |
| Purchase of property, plant and equipment | | - | | (2,499) |
| Addition to exploration and evaluation properties | | (551,951) | | (4,699,814) |
| Proceeds from option payment on Chester property | | - | | 100,000 |
| Proceeds from sale of exploration and evaluation assets | | 999,100 | | 250,000 |
| Repayment of mortgage payable | | - | | (150,000) |
| Proceeds from sale of marketable securities | | 23,240 | | 250,109 |
| **Total cash flow generated from (used in) investing activities** | | 470,389 | | (4,252,204) |
| **Financing activities** | | | | |
| Proceeds from a private placement, net of issuance costs | | 3,380,366 | | - |
| Proceeds from exercise of warrants | | - | | 11,136 |
| **Total cash flow generated from financing activities** | | 3,380,366 | | 11,136 |
| Currency translation adjustments | | 4,328 | | (59,959) |
| **Decrease in cash during the period** | | 2,249,624 | | (5,473,444) |
| **Cash, beginning of the period** | | 1,114,656 | | 8,047,764 |
| **Cash, end of the period** | $ | 3,364,280 | $ | 2,574,320 |
| Cash | $ | 3,324,280 | $ | 2,534,320 |
| Restricted cash equivalents | | 40,000 | | 40,000 |
| **Total cash and cash equivalents** | $ | 3,364,280 | $ | 2,574,320 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Galleon Gold Corp. (the "Company" or "Galleon Gold") is a corporation domiciled in Canada, originally incorporated under the laws of British Columbia, Canada, and subsequently continued under the *Canada Business Corporations Act*. The address of the Company's registered head office is TD Canada Trust Tower, 161 Bay Street, Suite 2700, Toronto, ON, M5J 2S1. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "GGO".

The Company is in the business of acquiring, exploring, and developing mineral properties in Canada and the United States, primarily those containing gold, silver, platinum group elements (PGEs), copper, nickel and associated base and precious metals. The Company is in the process of exploring its exploration and evaluation properties and as of the date of these condensed interim consolidated financial statements, the Company has not yet determined whether they contain reserves that are economically recoverable. Accordingly, exploration and evaluation properties are recorded at cost on a property-by-property basis, less impairment. The recoverability of the exploration and evaluation costs is dependent upon the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet obligations under various agreements, and future profitable production or, alternatively, upon the Company's ability to recover its costs through a disposition of its exploration and evaluation resource properties.

During the six months ended May 31, 2022, the Company had a net loss of $836,568 (2021 – $486,893), negative cash flow from operations of $1,605,459 (2021 – $1,172,417) and working capital as at May 31, 2022 of $505,710 (November 30, 2021 –working capital deficiency of $1,847,938). The Company is subject to risks and challenges similar to companies in a comparable stage of exploration. As a result of these risks, there are material uncertainties which cast significant doubt as to the Company's ability to continue as a going concern. The Company does not have any revenue generating properties or activities and will need to continue to obtain additional financing to execute exploration and development activities and discharge its day-to-day obligations. There is no assurance that the Company's funding initiatives will be successful, and these condensed interim consolidated financial statements do not reflect the adjustments to carrying values of assets and liabilities and the reported and condensed interim consolidated statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and do not include all the information required for full annual consolidated financial statements required by IFRS as issued by the IASB and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies used are those the Company expects to adopt in its consolidated financial statements as at and for the year ending November 30, 2022.

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended November 30, 2021.

These condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on July 14, 2022.

## 2. BASIS OF PREPARATION (continued)

### (b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain investments measured at fair value.

### (c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed, or has rights, to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are included in the condensed interim consolidated financial statements from the date control is obtained until the date control ceases.

Intercompany assets and liabilities, equity, income, expenses, and cash flows between the Company and its subsidiaries are eliminated on consolidation.

The principal subsidiaries of the Company as at May 31, 2022 were as follows:

| Entity | Location | Ownership interest |
|---|---|---|
| Explor Resources Inc. (“Explor”) | Canada | 100% |
| Nevada Star Resources Corp. (“Nevada Star”) | United States | 100% |
| Neal Development Limited Partnership (“Neal LP”) | United States | 80% |

### (d) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is Explor’s and the Company’s functional currency. The functional currency for Nevada Star Resources Corp. and Neal LP is the United States (US) dollar.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Significant accounting policies

The significant accounting policies followed in these condensed interim consolidated financial statements are consistent with those applied in the Company’s audited annual c consolidated financial statements for the year ended November 30, 2021, and to be adopted in its consolidated financial statements as at and for the year ending November 30, 2022.

### (b) Use of estimates and judgements

*(i)* _Use of estimates_

The preparation of condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. The areas that require management to make significant estimates and assumptions in determining carrying values include, but are not limited to:

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Share-based payments and warrants valuation*
The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and brokers' warrants. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

*Deferred tax*
The Company recognizes a deferred tax benefit related to tax assets and tax losses to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit and expected timing of reversals of existing temporary differences. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the statement of financial position's date could be affected. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future years from tax assets and tax losses.

At the end of each reporting year, the Company assesses whether or not there has been an impairment of the capitalized royalty interest, or if there is any indication that an impairment loss recognized in prior years for royalty interests may no longer exist or may have decreased. This requires that the Company considers observable market data, significant changes in market conditions, and evidence if the royalty's economic performance will be other than previously expected. Significant judgement required in estimating future cash flows associated with the royalty includes future commodity prices, foreign exchange rates, and production volumes.

*(ii)* *Critical judgments*
The judgments that management has applied in the application of the Company's accounting policies that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are discussed below:

*Exploration and evaluation properties recoverability*
The Company's accounting policy for exploration costs results in certain items being capitalized according to the expected recoverability of the projects. This policy requires management to make certain assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such assumptions may change as new information becomes available. The Company considers at the end of each accounting year, whether or not there has been an impairment of the capitalized exploration and evaluation properties.

For non-producing exploration and evaluation properties, this assessment is based on whether factors that may indicate the need for a write-down are present.

If the Company has determined that the deferred costs of non-producing properties may not be recovered based on current economics or permitting considerations, the Company would be required to write-down the recorded value of its exploration and evaluation properties which would reduce the Company's earnings and net assets.

*Functional currency*
The functional currency of the Company and its subsidiaries have been assessed by management based upon consideration of the currency and economic factors that influence costs, financing, and similar items. Changes to these factors may have an impact on the judgment applied in the determination of the functional currency.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Foreign currency translation

**Translation of foreign operations**
The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates.

Translation of all assets and liabilities from the US dollar functional currency to the presentation currency is performed using the exchange rate prevailing on the reporting date. The differences arising upon translation from the functional currency to the presentation currency are recorded as currency translation adjustments in other comprehensive income or loss.

Translation of all income and expenses from the US dollar functional currency to the presentation currency are performed using the average exchange rate for the year with translation gains and losses recorded as currency translation adjustments in other comprehensive income or loss.

**Foreign currency transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

### (d) Cash and cash equivalents
Cash and cash equivalents include cash on account and demand deposits. Funds that are not available for use by the Company are noted as restricted.

### (e) Property, plant and equipment
Property, plant and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided for beginning from the time the property, plant and equipment is utilized, based on the estimated useful lives of the assets using the following annual rates and methods:

| | |
|---|---|
| Office equipment | 20% diminishing balance |
| Computer hardware | 30% diminishing balance |
| Field equipment | 10-50% diminishing balance |
| Vehicle | 20% diminishing balance |

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and amortized according to their respective useful lives.

### (f) Exploration and evaluation properties
Exploration and evaluation costs, including the acquisitions costs, are capitalized as exploration and evaluation properties on a property-by-property basis pending determination of the technical feasibility and commercial viability of the project.

Capitalized costs include all costs incurred in exploration and evaluation of potential mineral reserves and resources, such as exploratory drilling and sample testing and the costs of pre-feasibility studies. General and administrative costs are only allocated to the asset to the extent that those costs can be directly related to operational activities in the relevant area of interest. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in the profit and loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The recoverability of the amounts shown for exploration and evaluation properties is dependent upon the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet obligations under various agreements, and future profitable production or, alternatively, upon the Company's ability to recover its costs through a disposition of its exploration and evaluation properties. If a project does not prove to be viable, all unrecoverable costs associated therewith would be written off. The amounts shown for exploration and evaluation of the properties do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for exploration and evaluation.

### (g) Royalty interest

The Company records its royalty interest at cost, net of impairment charges. Royalty revenues received from the royalty interest are recorded against the capitalized amount when received. Royalty revenues received in excess of the capitalized amount are recorded as revenue on the statement of income (loss) when received. Where a potential impairment is indicated, assessments are performed for each area of interest. Any royalty interest that is not expected to be recovered is charged to the results of operations.

### (h) Impairment of exploration and evaluation properties and royalty interest

The carrying value of exploration and evaluation properties and royalty interest are reviewed at each reporting date for impairment whenever events or circumstances indicate the recoverable amount may be less than the carrying amount. The recoverable amount is the greater of its value-in-use and its fair value less costs of disposal.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or the smallest group of assets that largely generates independent cash inflows (cash generating units or “CGUs”) through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less costs of disposal is the amount obtainable from the sale of an asset or CGU in an orderly transaction between market participants at the measurement date, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

An impairment loss is recognized when the carrying value of an asset held for use exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risks and uncertainties. Impairment charges are recorded in the reporting year in which determination of impairment is made by management.

An impairment loss is recognized when the carrying value of an asset held for use exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. Assumptions, such as commodity prices, discount rate, and expenditures, underlying the fair value estimates are subject to risks and uncertainties. Impairment charges are recorded in the reporting year in which determination of impairment is made by management.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses recognized in prior years are assessed at each reporting year date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion or amortization, if no impairment loss had been recognized.

### (i) Financial instruments

*Recognition and derecognition*
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to cash flows from the financial asset expire, or when the financial asset and all risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

*Classification and initial measurement of financial assets*
Financial assets are initially measured at fair value adjusted for transaction costs (if any). Financial assets are classified at into the following categories:

- Amortized cost
- Fair value through profit or loss
- Fair value through other comprehensive income

In the periods presented the Company does not have any financial assets categorised as fair value through other comprehensive income.

The classification is determined by both:

- The Company's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset.

*Subsequent measurement of financial assets*
Financial assets measured at amortised cost. Financial assets are measured at amortised cost if the assets meet the following conditions:

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest in the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, restricted cash and reclamation bond fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are within a different business model other than 'hold to collect' of 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assts whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company accounts for the marketable securities at FVTPL.

*Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

*Classification and measurement of financial liabilities*

The Company's financial liabilities include accounts payable and accrued liabilities, accrued penalties and part XII.6 tax, and mortgage payable. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges are included within finance costs or finance income.

*Extinguishment of financial liabilities with equity instruments*

IFRIC 19, Extinguishing Financial Liabilities with equity Instruments, provides guidance on how to account the extinguishment of a fully or partially financial liability by issuing equity instruments. The Company measures the equity instruments issued to creditors to settle or extinguish financial liabilities at fair value. The difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments are included in the condensed interim consolidated statement of loss and comprehensive loss.

### (j) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of exploration and evaluation properties, where applicable, when:
(i) The Company has a present legal or constructive obligation as a result of past events.
(ii) It is probable that an outflow of resources will be required to settle the obligation.
(iii) The amount can be reliably estimated.
Initially, a liability for an asset retirement obligation is recognized at its fair value in the year in which it is incurred, and the corresponding asset retirement cost is added to the carrying amount of the related asset. The cost is amortized over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As at May 31, 2022 and November 30, 2021, the Company had not incurred any asset retirement obligations related to the exploration of its exploration and evaluation properties.

Reclamation bond
The reclamation bond is a bond held on behalf of the State of Idaho's Department of Lands as collateral for possible rehabilitation activities on the Neal property in connection with permits required for exploration activities. The reclamation bond is released once the property is restored to satisfactory condition, or as released under the surety bond agreement. As they are restricted from general use, they are included under non-current assets on the condensed interim consolidated statements of financial position.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors under Canadian income tax legislation. On issuance, the Company recognizes a flow-through share premium liability equal to the difference between the current market price of the Company's common shares and the issue price of the flow-through share. The residual amount of the issue price of the flow-through shares is then allocated to share capital and warrants based on relative fair value. Upon expenses being incurred and renounced, the premium is recognized as other income and recognized in condensed interim consolidated statements of loss and comprehensive loss.

Proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration within a period of two years.

### (l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

### (m) Warrants

Warrants are classified as equity. Incremental costs directly attributable to the issuance of warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

### (n) Reserves

Reserves include (i) the accumulated fair value of stock options recognized as share-based compensation, and (ii) the fair value of warrants issued in private placements and for share issue costs. Reserves are increased by the fair value of these items as they vest and are reduced by corresponding amounts when the options or warrants expire or are exercised or cancelled.

### (o) Share-based compensation

The Company has an equity-settled share-based compensation plan for granting stock options to management, directors, employees and consultants. The Company recognizes compensation expense for this plan at fair value so that the fair value of each option grant is estimated on the date of the grant and amortized over the vesting year, with the resulting amortization credited to reserves. The Company uses the accelerated method (also referred to as graded vesting) for allocating stock option expense over the vesting year. Stock option expense incorporates an expected forfeiture rate. The forfeiture rate is based on past experience and expectations of future forfeitures rates. Adjustments are made if the actual forfeiture rate differs from the expected rate. The fair value of each grant is determined using the Black-Scholes option-pricing model. Consideration paid upon the exercise of stock options is recorded as share capital.

### (p) Related party transactions

A related party is a person or entity that is related to the Company; that has control or joint control over the Company; that has significant influence over the Company; or is a member of the key management personnel of the Company.

An entity is related to a Company if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

A related party transaction is a transfer of resources, services or obligations between a Company, and a related party, regardless of whether a price is charged. All transactions with related parties are in the normal course of business and are measured at fair value.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Income taxes

Income taxes expense comprises current and deferred income taxes. Income taxes expense is recognized in the condensed interim consolidated statements of income (loss) except to the extent that it relates to items recognized directly in equity.

*Current income taxes*

Current taxes are the expected taxes payable or recoverable on the taxable income or loss, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income taxes payable in respect of previous years.

*Deferred income taxes*

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences).

Deferred income taxes are measured using the tax rates that are expected to be in effect when the temporary differences are likely to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect on deferred income tax assets and liabilities of a change in tax rates is included in earnings in the year in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount that is probable to be realized.

### (r) Income (loss) per share

Basic loss per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the year. Outstanding stock options have not been considered in the computation of diluted income (loss) per share as the result would be anti-dilutive.

### (s) Comprehensive income or loss

Comprehensive income or loss is the change in equity during the year from transactions, events and circumstances other than those under the control of management. It includes all changes in equity during a year except those resulting from investments by shareholders and distributions to shareholders. The Company reports comprehensive income or loss as a separate statement. Comprehensive income or loss represents the change in net equity for the year that arises from unrealized gains and losses on available-for-sale financial instruments and the translation of the Company's subsidiaries' financial statements from their functional currency to the presentation currency. Amounts included in other comprehensive income or loss are shown net of tax.

### (t) Changes in IFRS accounting policies and future accounting pronouncements

The Company did not adopt any accounting standards during the six months ended May 31, 2022, that materially impacted the Company's condensed interim consolidated financial statements.

The Company plans to adopt the following amendments to the accounting standards, issued by IASB, on their respective effective dates; however, each is not expected to have a material impact on the condensed interim consolidated financial statements.

*Amendments to IAS 1 – Presentation of Financial Statements*

In January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to clarify its requirements for the presentation of liabilities as current or non-current in the statement of financial position. This will be effective on January 1, 2023

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

*Amendments to IAS 12 – Income Taxes*
In May 2021, the IASB issued an amendment to IAS 12 Income Taxes to clarify the accounting for deferred tax on transactions such as leases and decommissioning obligations. The scope of the recognition exemption in IAS 12 no longer applies to transaction that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2023, with early adoption permitted.

*Amendments to IAS 16 – Property, Plant and Equipment*
In May 2020, the IASB issued Property, Plant and Equipment - Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. Effective January 1, 2022, the amendments prohibit a company from deducting from the cost of PP&E amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

*Amendments to IAS 37 – Provisions Contingent Liabilities and Contingent Assets*
In May 2020, the IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions Contingent Liabilities and Contingent Assets. Effective January 1, 2022, the amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

*Amendments to IFRS 9 – Financial Instruments*
In May 2020, the IASB issued an amendment to IFRS 9 Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included. The amendment is effective for annual periods beginning on or after January 1, 2022, with early adoption permitted.

## 4. CASH AND RESTRICTED CASH EQUIVALENTS

Cash is comprised of cash held at reputable financial institutions. Restricted cash equivalents of $40,000 (November 30, 2021 - $40,000) are funds invested in guaranteed investment certificates as security for corporate credit cards. The funds securing the corporate credit cards are restricted and cannot be withdrawn while the credit cards are outstanding.

## 5. TAXES RECEIVABLE

As at May 31, 2022 and November 30, 2021, taxes receivable consists of sales tax receivable from Canadian taxation authorities.

**(Expressed in Canadian dollars)**

## 6. MARKETABLE SECURITIES

The Company's marketable securities are as follows:

| | | **May 31, 2022** | | November 30, 2021 |
|---|---|---|---|---|
| *FVTPL* | | | | |
| Leeuwin Metal PTY Ltd. ("Leeuwin") | | | | |
| 2,500,000 Shares (November 30, 2021 – Nil shares) | $ | - | $ | - |
| 2,500,000 Options (November 30, 2021 – Nil shares) | | - | | - |
| Murchison Minerals Limited | | | | |
| 500,000 Shares (November 30, 2021 – 500,000 shares) | | 50,000 | | 67,500 |
| Poko Innovative Inc. ("Poko") | | | | |
| 1,310,561 Shares (November 30, 2021 – 1,310,561 shares) | | 39,317 | | 196,584 |
| Noble Mineral Exploration ("Noble") | | | | |
| 1,828,000 Shares (November 30, 2021 – 2,000,000 shares) | | 127,960 | | 280,000 |
| Canada Nickel Company Inc. ("CNC") | | | | |
| 31,532 Shares (November 30, 2021 – Nil shares) | | 64,325 | | - |
| Total | $ | **281,602** | $ | **554,084** |

In March 2021, the Company entered into a share purchase option agreement with Poko, granting Poko the right and option to purchase 1,310,561 shares with a purchase price of $0.15 per share until December 1, 2021.

During the six months ended May 31, 2022, the Company received a special dividend-in-kind in the form of 32,532 shares of CNC, valued at 100,587, as a shareholder of Noble.

The Company's marketable securities consist of common shares held in Canadian publicly traded companies, except for shares and options held in Leeuwin, a private company based in Australia. Fair values of the shares were determined at the closing price on May 31, 2022. The Company recorded an unrealized loss of $344,149 (2021 –$18,980) for the six months ended May 31, 2022.

## 7. PROPERTY, PLANT AND EQUIPMENT

| | | Office equipment | | Computer hardware | | Field equipment | | Vehicle | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| **Balance as at November 30, 2020** | $ | 1,075 | $ | 35,893 | $ | 147,148 | $ | 2,594 | $ | 186,710 |
| Additions | | - | | 2,499 | | 83,669 | | - | | 86,168 |
| Foreign exchange translation | | - | | - | | 3,366 | | (36) | | 3,330 |
| **Balance as at November 30, 2021** | **$** | **1,075** | **$** | **38,392** | **$** | **234,183** | **$** | **2,558** | **$** | **276,209** |
| Additions | | - | | - | | - | | - | | - |
| Foreign exchange translation | | - | | - | | (3,377) | | (28) | | (3,406) |
| **Balance as at May 31, 2022** | **$** | **1,075** | **$** | **38,392** | **$** | **230,806** | **$** | **2,530** | **$** | **272,802** |
| | | | | | | | | | | |
| **Accumulated depreciation** | | | | | | | | | | |
| **Balance as at November 30, 2020** | $ | 75 | $ | 31,530 | $ | 14,574 | $ | 519 | $ | 46,698 |
| Depreciation | | 200 | | 1,984 | | 34,485 | | 401 | | 37,070 |
| Foreign exchange translation | | - | | - | | 506 | | (13) | | 493 |
| **Balance as at November 30, 2021** | **$** | **275** | **$** | **33,514** | **$** | **49,565** | **$** | **907** | **$** | **84,261** |
| Depreciation | | 80 | | 732 | | 18,359 | | 163 | | 19,333 |
| Foreign exchange translation | | - | | - | | (1,610) | | (12) | | (1,622) |
| **Balance as at May 31, 2022** | **$** | **355** | **$** | **34,246** | **$** | **66,314** | **$** | **1,058** | **$** | **101,973** |
| | | | | | | | | | | |
| **Balance as at November 30, 2020** | **$** | **1,000** | **$** | **4,363** | **$** | **132,574** | **$** | **2,075** | **$** | **140,012** |
| **Balance as at November 30, 2021** | **$** | **800** | **$** | **4,878** | **$** | **184,618** | **$** | **1,651** | **$** | **191,948** |
| **Balance as at May 31, 2022** | **$** | **720** | **$** | **4,146** | **$** | **164,492** | **$** | **1,472** | **$** | **170,830** |

**(Expressed in Canadian dollars)**

## 8. EXPLORATION AND EVALUATION PROPERTIES

| | Ontario | | Manitoba | New Brunswick | Idaho | |
|---|---|---|---|---|---|---|
| | West Cache Gold | Kidd Township | William Lake | Chester | Neal | **Total** |
| **Balance, November 30, 2021** | **$ 21,492,447** | **$ -** | **$ 1** | **$ -** | **$ 649,182** | **$ 22,141,630** |
| Acquisition | 254,138 | - | - | - | - | 254,138 |
| Accomodation, meals and travel | 878 | - | - | - | - | 878 |
| Claims and administration | 1,100 | - | 1,482 | - | 12,711 | 15,293 |
| Equipment rental and software | 25,030 | - | - | - | 1,179 | 26,209 |
| Facility and maintenance | 29,450 | - | - | - | - | 29,450 |
| Geological staff, field crew and consulting | 211,251 | - | - | - | - | 211,251 |
| Geophysical, geochemical and assays | 4,390 | - | - | - | - | 4,390 |
| Supplies and materials | 14,585 | - | - | - | - | 14,585 |
| Surveying and permitting | 190,443 | - | - | - | - | 190,443 |
| Technical reports | 168,287 | - | - | - | - | 168,287 |
| Transportation | 810 | - | - | - | 577 | 1,387 |
| ***Less:*** | | | | | | |
| Sale of property | - | - | (1) | - | - | (1) |
| Impairment | - | - | (1,482) | - | - | (1,482) |
| Foreign exchange translation | - | - | - | - | (7,399) | (7,399) |
| **Balance, May 31, 2022** | **$ 22,392,809** | **$ -** | **$ -** | **$ -** | **$ 656,250** | **$ 23,049,059** |

| | Ontario | | Manitoba | New Brunswick | Idaho | |
|---|---|---|---|---|---|---|
| | West Cache Gold | Kidd Township | William Lake | Chester | Neal | **Total** |
| **Balance, November 30, 2020** | **$ 15,397,413** | **$ 1** | **$ 1** | **$ 200,000** | **$ 636,080** | **$ 16,233,495** |
| Acquisition | - | - | - | - | - | - |
| Accomodation, meals and travel | 75,254 | - | - | - | - | 75,254 |
| Claims and administration | 7,125 | - | 1,459 | - | 14,160 | 22,744 |
| Drilling | 2,653,183 | - | - | - | - | 2,653,183 |
| Equipment rental and software | 93,817 | - | - | - | 5,351 | 99,168 |
| Facility and maintenance | 59,558 | - | - | - | - | 59,558 |
| Geological staff, field crew and consulting | 1,188,269 | - | - | - | - | 1,188,269 |
| Geophysical, geochemical and assays | 493,853 | - | - | - | - | 493,853 |
| Metallurgical | 54,274 | - | - | - | - | 54,274 |
| Share-based compensation | 124,462 | - | - | - | - | 124,462 |
| Supplies and materials | 69,354 | - | - | - | - | 69,354 |
| Surveying and permitting | 728,379 | - | - | - | - | 728,379 |
| Technical reports | 500,071 | - | - | - | - | 500,071 |
| Transportation | 47,435 | - | - | - | 1,636 | 49,071 |
| ***Less:*** | | | | | | - |
| Option payment received | - | - | - | (200,000) | - | (200,000) |
| Sale of property | - | (1) | - | - | - | (1) |
| Impairment | - | - | (1,459) | - | - | (1,459) |
| Foreign exchange translation | - | - | - | - | (8,045) | (8,045) |
| **Balance, November 30, 2021** | **$ 21,492,447** | **$ -** | **$ 1** | **$ -** | **$ 649,182** | **$ 22,141,630** |

### (a) West Cache Gold, Ontario

West Cache Gold project is located west of Timmins, Ontario in the Townships of Bristol, and Ogden in the Timmins-Porcupine Mining Camp with mining claims which are subject to a 2% or 3% NSR.

## 8. EXPLORATION AND EVALUATION PROPERTIES (continued)

On June 25, 2020, the Company signed a purchase agreement to acquire 8 patented claims located in the Ogden Township, contiguous to the eastern boundary of the West Cache property for $450,000. Pursuant to the purchase agreement, the Company paid $150,000 and assumed the vendor take back an interest-free mortgage of $300,000 to be paid in two equal installments of $150,000 on each of the two anniversaries of closing. During the six months ended May 31, 2022, the Company paid the first instalment of the mortgage of $150,000. The Company granted a 2% NSR to the vendor and has an option to purchase back the 2 % NSR for $2,000,000.

On February 28, 2022, the Company acquired 91 mineral claims and 12 patent claims (the "Mineral Claims") contiguous to the Company's existing property position at its West Cache Gold project. Pursuant to the agreement, the Company issued 200,000 common shares valued at $112,000 to obtain 100% interest in the Mineral Claims.

On March 2, 2022, the Company entered into an agreement to acquire 100% interest of 129 mining claims contiguous to the Company's existing property position at its West Cache Gold project. Pursuant to the agreement, the Company issued 250,000 common shares of the Company and grant a 2% NSR (the "Royalty"). The Company may, at any time, purchase 1% of the Royalty for $1,000,000.

**(b) Neal, Idaho, USA**

The Neal project is located southeast of Boise, Idaho. The project consists of five private patented mining claims and another seven unpatented lode claims located on U.S. Forest Service administered public lands.

On May 13, 2019, the Company issued 1,022,173 common shares valued at $204,235 to acquire 102 units, representing 70% of ownership and controlling interest, in the Neal LP and the right to enter into a lease agreement with the landowner of five patented claims known as Neal Property ("Neal Lease"). In addition, the Company assumed liabilities totalling $60,000 which has been included in the initial consideration capitalized to the exploration and evaluation property, bringing the total to $264,235.

On May 15, 2019, the Company entered into the Neal Lease for a period of five years which may be extended for 1-year terms thereafter. Annual lease payment consists of a $3 per dry ton for all material it removes from the property and a 3% net smelter return royalty, with a minimum annual payment of US$10,000. Pursuant to the Neal LP agreement, the Company is fully responsible for all expenditures related to the exploration, development, and operation of the Neal property. Upon achievement of production, the unit holders have rights to the net profits or losses relative to their ownership percentage. Since the Neal property is currently not in production, no amounts have been attributed to the unit holders who represent the non-controlling interest in Neal LP.

The Company was required to purchase a reclamation bond of $110,670 (US$87,500) (November 30, 2021 - $111,930) in respect of its expected site reclamation and closure obligations of the Neal Property as required by the State of Idaho's Department of Lands. The reclamation bond represents collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company, which will be released once the property is restored to satisfactory condition, or as released under the surety bond agreement.

On June 3, 2020, the Company issued 50,000 common shares valued at $30,000 to a minority interest owner, increasing the Company's total ownership in the Neal LP to 80%.

**(c) Chester, New Brunswick**

The Chester property is located Northumberland County, New Brunswick. The property comprises 114 contiguous claims and is subject to 1% and 2% NSR.

## 8. EXPLORATION AND EVALUATION PROPERTIES (continued)

The Company had an option agreement dated January 17, 2019 with Puma Exploration Inc. ("Puma") to grant sole an exclusive right and option to acquire 100% of the property over a three-year period, for the following considerations:

(i) An aggregate payment of $300,000 in cash, payable $100,000 per year; and
(ii) Puma shall complete a work program of $1,100,000 on the property, with a minimum of $250,000 during the first year of the option agreement, $350,000 the second year and $500,000 on the third year.

These conditions were completed by 2022 over a period of three years, and Puma acquired a 100% interest in the Property and the Company retains a 2% NSR on the property. Puma has an option to redeem 1% of NSR for $1,000,000. The option payment received was recorded as a reduction against the cost of the mineral property.

### (d) Other properties in Canada

#### (i) Manitoba

**William Lake**
The William Lake Property was written down to $1 in 2015 as no substantive exploration expenditures are planned or budgeted for. The costs to maintain the claims on this property are minimal as the Company has banked work credits that will be used at renewal. The Company purchased the property rights from Falconbridge Limited ("Xtrata") subject to a 2% net smelter return royalty. In addition, Xstrata has a one-time right to repurchase a 50% working interest in William Lake property if certain conditions are met. Xstrata also has the right to purchase 100% of the ore produced at market prices.

On May 31, 2022, the Company sold its 100% interest in William Lake property located in Manitoba to a private company, Leeuwin Metals PTY Ltd. ("Leeuwin"). Pursuant to the terms of the agreement, the Company received $1,000,000 cash, 2,500,000 common shares of Leeuwin and 2,500,000 options with each option entitling the Company to acquire one share of Leeuwin at a price of AU$0.50 for a period of 5 years. Leeuwin is a private Australian company intending to be listed on the Australian Securities Exchange ("ASX"). Both the Leeuwin's shares and options are valued at $Nil. In connection with the sale, the Company incurred $900 of legal fees and recognized a gain of $999,100 on the condensed interim consolidated statements of loss and comprehensive loss for the six months ended May 31, 2022.

#### (ii) Ontario

**Kidd Township**
The Company sold its interest in Kidd Township property, which comprises 204 claims and four patented claims located in the Kidd, Carnegie, Wark, Prosser and Murphy Townships, Mining Division of Porcupine, in Ontario in October 2021. Pursuant to the terms of the agreement, the Company received $250,000 cash and 2,000,000 common shares of Noble Mineral Exploration Inc. ("Noble"). Noble is a publicly traded company listed on the TSXV. In connection with the sale, the Company recognized a gain on exploration and evaluation property of $462,666 during the year ended November 30, 2021.

#### (iii) Quebec

**East Bay, Destor and Nelligan**
The Company sold its interest in the East Bay, Destor and Nelligan ("Quebec properties") located in Quebec to a private company, Quebec Aur Ltd. ("Quebec Aur") in May 2021. Pursuant to the terms of the agreement, Quebec Aur paid $250,000 and obligated to issue 600,000 common shares of Quebec Aur ("Quebec Aur shares"), to obtain 100% ownership of the Quebec properties. Quebec Aur has entered into a letter of intent with a publicly listed TSXV company ("PublicCo") whereby Quebec Aur will be acquired by PublicCo, and each Quebec Aur share will be exchanged for one share of PublicCo. If the acquisition of Quebec Aur is not completed by September 15, 2021, Quebec Aur may elect to abstain from issuing the Quebec Aur shares and pay $150,000 to the Company or transfer the Quebec properties back to the Company. Quebec Aur elected and paid $150,000 in September 2021.

**(Expressed in Canadian dollars)**

## 8. EXPLORATION AND EVALUATION PROPERTIES (continued)

Quebec Aur has granted a 1% net smelter returns royalty (the "NSR") on any of the Quebec properties' claims that do not have an existing royalty. The NSR can be repurchased by Quebec Aur for $1,000,000. In connection with the sale, the Company recognized a gain on exploration and evaluation properties of $400,000.

## 9. ROYALTY INTEREST

**Milford Copper Property**

The Company holds a 1% net smelter royalty (the "Royalty") on the Milford Copper Property located in Utah. The Milford Copper Property was previously owned by CS Mining LLC ("CS Mining") and is now owned by Tamra Mining Company, LLC ("Tamra") as of August 29, 2018. The royalty is shared with another party on a pro-rata basis, with the Company's royalty capped at US$5,000,000 ($6,624,000) and the other party's royalty capped at US$3,000,000 ($3,794,400).

Since late 2018, the operation, including the processing of ore, at the Milford Copper Property has been suspended pending new financing partners. Given the uncertainty of future operations and collection of the royalty payments, the royalty had been written down to $1. As at May 31, 2022, the Company has received a total of $779,840 (US$609,631) (November 30, 2021 - $779,840) in royalty payments, and the maximum royalty remaining balance was US$4,390,369 (November 30, 2021 – US$4,390,369) or $5,552,939 (November 30, 2021 - $5,616,160).

## 10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | May 31, 2022 | | November 30, 2021 |
|---|---|---|---|---|
| Accounts payable | $ | 599,297 | $ | 275,442 |
| Accrued liabilities | | 786,071 | | 1,397,192 |
| **Total** | **$** | **1,385,368** | **$** | **1,672,634** |

As May 31, 2022, included in the accounts payable and accrued liabilities, a total of $119,860 (November 30, 2021 - $418,375) is related to exploration and evaluation assets (Note 8).

## 11. MORTGAGE PAYABLE

On June 25, 2020, the Company acquired 8 patented claims located in the Ogden Township, contiguous to the eastern boundary of the West Cache property for $450,000 (Note 8 (a)). Pursuant to the purchase agreement, the Company assumed an interest-free vendor take-back mortgage of $300,000 to be paid in two equal installments of $150,000 in each of the two anniversaries of closing. The Company had estimated the fair value of the mortgage payable at $283,499 using an interest rate of 6% (5.87% effective interest rate) which reflects management's best estimate of the interest rate that would apply on a comparable loan. The Company paid the first instalment of the mortgage of $150,000 in 2021. The Company recognized a total of finance expense of $4,292 (2021 - $4,055) in the condensed interim consolidated statements of loss and comprehensive loss for the six months ended May 31, 2022.

**(Expressed in Canadian dollars)**

## 12. SHARE CAPITAL

On February 24, 2022, the Company consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for every ten pre-consolidation common shares. All share, option and warrant information have been adjusted to reflect this consolidation.

Share capital consists of unlimited authorized common shares without par value.

| | Number of shares | | Amount |
|---|---|---|---|
| **Balance November 30, 2020** | **46,433,142** | **$** | **73,778,988** |
| Issued for a settlement (i) | 631,148 | | 701,112 |
| Issued on warrants exercise | 27,273 | | 28,489 |
| **Balance November 30, 2021** | **47,091,563** | **$** | **74,508,589** |
| Issued for acquisition of Mineral Claims (Note 8 (a)) | 450,000 | | 244,500 |
| Issued on a private placement, net (ii) | 6,814,158 | | 2,330,072 |
| **Balance, May 31, 2022** | **54,355,721** | **$** | **77,083,161** |

(i) On January 8, 2021, the Company entered into a settlement agreement (the “Settlement”) to settle a claim for damages filed with the Superior Court of Québec against Explor and its former officer and directors of approximately $690,000. Pursuant to the Settlement, the Company issued 631,148 common shares and 90,885 warrants for a release of any claims, demands and future actions. Each warrant entitles the holder to purchase one common share at a price of $1.80 with expiry date of January 8, 2024.

As the combined fair value of 631,148 common shares of $701,112 and 90,885 warrants of $93,150 equal to the total liability of $794,262, no gain or loss was recognized as a result of this Settlement.

(ii) On March 25, 2022, the Company completed a brokered private placement for a total gross proceed of $3,500,000, consisting of 2,462,437 units of the Company at a price of $0.50 per unit, 3,306,821 flow-through (‘FT”) units of the Company at a price of $0.55 per FT unit and 642,900 FT units sold to charitable purchasers (“Charitable FT”) at a price of $0.70 per Charity FT unit. Each unit, FT unit and Charitable FT unit consist of one common share and one-half warrant. Each warrant can be exercised for a period of 24 months after closing at a price of $0.75.

In connection with the private placement, the Company paid issuance costs of a total of $ 119,635, paid a commission of $201,000 settled through the issuance of 402,000 units, and issued 366,729 compensation warrants, with each entitling the holders to purchase one unit at a price of $0.50 for a period of 24 months. Each unit of one common share and one-half warrant. Each warrant can be exercised for a period of 24 months after closing at a price of $0.75. The estimated fair value of 366,729 compensation warrants is $114,282. The proceeds of the private placement have been allocated as $2,743,878 to share capita, and $756,122 to the warrant reserve.

The Company recognized a flow-through premium liability of $293,921 from this private placement. A pro-rate reduction of flow-through premium liability will be recognized as flow-through income as the required expenditures are incurred. As of May 31, 2022, the Company has spent $163,412 of flow-through funds related to this private placement and recognized flow-through premium income of $14,856 in the condensed interim consolidated statements of loss and comprehensive loss for the six months ended May 31, 2022.

**(Expressed in Canadian dollars)**

## 13. RESERVES

SHARE-BASED COMPENSATION

The Company has a common share 10% Rolling Plan (the "Plan") for designated directors, officers, employees, and consultants. Pursuant to the Plan, option awards are recommended by the Compensation Committee of the Board and then reviewed by the Board of Directors. Under the Plan, options on common shares may be issued for up to a cumulative amount that may not exceed 10% of shares outstanding at any given time. As at May 31, 2022, the Company had 1,800,572 options reserved on common shares.

The exercise price for each option granted under the Plan is based upon the five-day weighted average market price at the date of the grant but shall not be lower than the discounted market price, as defined by the TSX Venture Exchange Corporate Finance Manual. The term may not exceed ten years from the date of the grant of the option. The specific terms including vesting year and term of the option are set by the board of directors.

Stock option activity is presented below:

| | Number of options | Weighted average exercise price $ |
|---|---|---|
| **Outstanding, November 30, 2020** | **2,180,000** | **0.80** |
| Issued | 680,000 | 0.90 |
| Expired | (210,000) | 1.50 |
| **Outstanding, November 30, 2021** | **2,650,000** | **0.80** |
| Issued | 985,000 | 0.60 |
| **Outstanding, May 31, 2022** | **3,635,000** | **0.58** |

On March 30, 2021, the Company granted a total of 640,000 options to employees, consultants, and directors of the Company. The options are exercisable at a price of $0.90 per common shares, for a term of 5 years from issuance and vested immediately.

On October 29, 2021, the Company granted a total of 40,000 options to employees, consultants, and directors of the Company. The options are exercisable at a price of $0.65 per common shares, for a term of 5 years from issuance and vested immediately.

On December 2, 2021, the Company granted a total of 200,000 options to a consultant of the Company at a price of $0.60. The options vest in tranches of 10,000 options per month starting April 2022 to December 2023. The options expire on December 1, 2026.

On April 20, 2022, the Company granted a total of 785,000 stock options to directors, officers, employees and consultants of the Company. The options are exercisable at $0.60, vest immediately and expire on April 20, 2027.

The fair value of the options granted or issued was estimated on the date of the grant using the Black-Scholes option pricing model, with the following assumptions:

| | For the six months ended May 31, 2022 | For the year ended November 30, 2020 |
|---|---|---|
| Volatility | 205% -215% | 216-223% |
| Expected life | 5 years | 5 years |
| Risk-free interest rate | 1.35% -2.74% | 0.97-1.50% |
| Forfeiture rate | 0% | 0% |
| Expected dividend yield | 0% | 0% |

**(Expressed in Canadian dollars)**

## 13. RESERVES (continued)

The following stock options are outstanding and exercisable at May 31, 2022:

| Options outstanding and exercisable | | | |
|---|---|---|---|
| Exercise price $ | Number of options | Weighted average remaining contractual life in years | Weighted average exercise price $ |
| 0.50 | 385,000 | 1.83 | 0.50 |
| 1.60 | 170,000 | 0.22 | 1.60 |
| 1.00 | 205,000 | 1.30 | 1.00 |
| 0.50 | 1,035,000 | 2.84 | 0.50 |
| 0.60 | 55,000 | 1.08 | 0.60 |
| 1.20 | 60,000 | 3.29 | 1.20 |
| 1.05 | 60,000 | 3.49 | 1.05 |
| 0.90 | 640,000 | 3.83 | 0.90 |
| 0.65 | 40,000 | 4.42 | 0.65 |
| 0.60 | 200,000 | 4.51 | 0.60 |
| 0.60 | 785,000 | 4.89 | 0.60 |
| | **3,635,000** | **3.32** | **0.70** |

WARRANTS
Warrants activity is presented below:

| | Number of Warrants | Weighted average exercise price $ |
|---|---|---|
| **Outstanding, November 30, 2020** | **14,774,124** | **1.20** |
| Issued for a settlement (Note 12 (i)) | 90,885 | 1.80 |
| Exercised warrants | (27,273) | 0.50 |
| **Outstanding, November 30, 2021** | **14,837,736** | **1.20** |
| Issued on a private placement (Note12 (ii)) | 3,773,807 | 0.73 |
| Expired warrants | (3,914,534) | 0.82 |
| **Outstanding, May 31, 2022** | **14,697,009** | **1.18** |

On May 28, 2021, the Company extended the expiry term of a total of 141,667 warrants by one year, all of which are exercisable at $1.20 per share. A total of 25,000 warrants are held by a director of the Company. The warrants were issued pursuant to a private placement which closed over two tranches in June and July 2019 as follows:
(i) For 116,667 warrants issued on June 17, 2019, the expiry term is extended to June 17, 2022; and
(ii) For 25,000 warrants issued on July 22, 2019, the expiry term is extended to July 22, 2022.

On September 20, 2021, the Company extended the expiry term of a total of 100,000 warrants by one year, all of which are exercisable at $1.20 per share and are held by an officer of the Company. The warrants were issued pursuant to a private placement which closed on September 24, 2019. The warrants expiry term is extended from September 24, 2021 to September 24, 2022.

The total cost of the warrant extensions is $86,251 which has been recorded under warrants and the offsetting entry is recorded in the deficit. The fair value of the warrants' extension was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follow: no expected dividend yield, 59.11 - 140.95% expected volatility, 0.08-0.45% risk-free interest rate and 0.1-1.2 years warrant expected life. A total of 125,000 warrants are held by a director and officer of the Company.

**(Expressed in Canadian dollars)**

## 13. RESERVES (continued)

The fair values of the issued warrants were calculated using the Black-Scholes option pricing model with the following assumptions:

| | For the six months ended May 31, 2022 | For the year ended November 30, 2021 |
|---|---|---|
| Volatility | 123% | 216% |
| Expected life | 2 years | 3 years |
| Risk-free interest rate | 2.31% | 0.24% |
| Forfeiture rate | 0% | 0% |
| Expected dividend yield | 0% | 0% |

The following warrants are outstanding and exercisable at May 31, 2022:

| Warrants outstanding and exercisable | | | |
|---|---|---|---|
| Exercise price $ | Number of Warrants | Weighted average remaining contractual life in years | Weighted average exercise price $ |
| 1.20 | 116,667 | 0.05 | 1.20 |
| 1.20 | 25,000 | 0.14 | 1.20 |
| 1.20 | 100,000 | 0.32 | 1.20 |
| 0.75 | 280,000 | 0.03 | 0.75 |
| 0.75 | 952,782 | 0.03 | 0.75 |
| 0.50 | 53,200 | 0.03 | 0.50 |
| 0.75 | 3,194,317 | 0.53 | 0.75 |
| 1.80 | 2,887,067 | 1.37 | 1.80 |
| 1.80 | 1,040,299 | 1.37 | 1.80 |
| 1.80 | 1,841,833 | 1.37 | 1.80 |
| 1.20 | 341,152* | 0.37 | 1.20 |
| 1.80 | 90,885 | 1.61 | 1.80 |
| 0.75 | 3,206,078 | 1.99 | 0.75 |
| 0.75 | 201,000 | 1.99 | 0.75 |
| 0.50 | 366,729** | 1.99 | 0.50 |
| | **14,697,009** | **1.19** | **1.18** |

** Each entitles the holders to purchase one unit of the Company at a price of 1.20 per unit until October 14, 2022, consisting of one common share and one warrant. Each warrant entitles the holder to purchase one additional common share at a price of $1.80 until October 14, 2023.*

*** Each entitles the holders to purchase one unit of the Company at a price of 0.50 per unit until March 25, 2024, consisting of one common share and one-half of a warrant. Each warrant entitles the holder to purchase one additional common share at a price of $0.75 until March 25, 2024.*

**(Expressed in Canadian dollars)**

## 14. ADMINISTRATION AND GENERAL EXPENSES

Included in administration and general expenses are the following:

| For the six months ended | | May 31, 2022 | | May 31, 2021 |
|---|---|---|---|---|
| Consulting | $ | 567,108 | $ | 833,320 |
| Depreciation | | 19,333 | | 14,183 |
| Investor relations | | 100,715 | | 87,599 |
| Occupancy costs | | 7,898 | | 12,677 |
| Office and miscellaneous | | 96,900 | | 68,631 |
| Permit and taxes | | 2,655 | | 5,581 |
| Professional services | | 57,630 | | 47,074 |
| Promotion and advertising | | 58,887 | | 36,498 |
| Regulatory, filing and transfer agent fees | | 65,357 | | 47,010 |
| Salaries and benefits | | 137,987 | | 234,609 |
| Share-based compensation | | 471,374 | | 444,505 |
| Travel | | 11,230 | | 19,557 |
| Total | $ | 1,597,074 | $ | 1,851,244 |

## 15. LOSS PER SHARE

The weighted average number of shares outstanding used in the computation of loss per share for the six months ended May 31, 2022 was 47,540,930 (2021 – 46,699,630).

| For the six months ended | | May 31, 2022 | | May 31, 2021 |
|---|---|---|---|---|
| Loss attributable to common shareholders | $ | (836,568) | $ | (486,893) |
| Weighted average number of common shares outstanding | | 47,540,930 | | 46,699,630 |
| Loss per share basic and diluted | **$** | **(0.02)** | **$** | **(0.01)** |

The outstanding and exercisable options and warrants (Note 13) were excluded from the computation of diluted weighted average shares outstanding for the six months ended May 31, 2022 and 2021, as their effect would be anti-dilutive.

## 16. RELATED PARTY TRANSACTIONS

The Company has defined key management personnel as senior executive officers, as well as the Board of Directors. The total remuneration of key management personnel and the Board of Directors for the six months ended May 31, 2022 and 2021 are as follows:

| For the six months ended | | May 31, 2022 | | May 31, 2021 |
|---|---|---|---|---|
| Salaries, consulting, and other benefits | $ | 649,191 | $ | 1,019,947 |
| Share based compensation | | 317,506 | | 422,282 |
| Total | **$** | **966,697** | **$** | **1,442,229** |

Included in the accounts payable and accrued liabilities as of May 31, 2022, was $831,720 (November 31, 2021 - $419,951) due to officers of the Company.

**(Expressed in Canadian dollars)**

## 17. SEGMENTED INFORMATION

The Company operates in one segment being the acquisition, exploration and development of exploration and evaluation properties. The Company has exploration and evaluation properties located in two geographical areas, Canada, and the United States of America.

| As at May 31, 2022 | | Canada | | United States | | Total |
|---|---|---|---|---|---|---|
| Current assets | $ | 3,770,143 | $ | 152,569 | $ | 3,922,712 |
| Property, plant, and equipment | | 23,351 | | 147,479 | | 170,830 |
| Royalty interest | | – | | 1 | | 1 |
| Exploration and evaluation properties | | 22,392,818 | | 656,241 | | 23,049,059 |
| Reclamation bond | | – | | 110,670 | | 110,670 |
| | $ | 26,186,312 | $ | 1,066,960 | $ | 27,253,272 |
| | | | | | | |
| Current liabilities | $ | 2,965,681 | $ | 451,321 | $ | 3,417,002 |
| Long-term liabilities | | 279,065 | | – | | 279,065 |
| | $ | 3,244,746 | $ | 451,321 | $ | 3,696,067 |

| As at November 30, 2021 | | Canada | | United States | | Total |
|---|---|---|---|---|---|---|
| Current assets | $ | 1,785,804 | $ | 66,234 | $ | 1,852,038 |
| Property, plant, and equipment | | 26,217 | | 165,731 | | 191,948 |
| Royalty interest | | – | | 1 | | 1 |
| Exploration and evaluation properties | | 21,492,456 | | 649,174 | | 22,141,630 |
| Reclamation bond | | – | | 111,930 | | 111,930 |
| | $ | 23,304,477 | $ | 993,070 | $ | 24,297,547 |
| | | | | | | |
| Current liabilities | $ | 3,363,339 | $ | 336,637 | $ | 3,554,332 |
| | $ | 3,363,339 | $ | 336,637 | $ | 3,699,976 |

## 18. FINANCIAL INSTRUMENTS

### (a) Classification of financial instruments

Financial assets and liabilities in the statements of financial position are as follows:

| May 31, 2022 | | Financial assets at fair value through profit of loss | | Financial assets at amortized cost | | Financial liabilities at amortized cost |
|---|---|---|---|---|---|---|
| Cash | $ | – | $ | 3,324,280 | $ | – |
| Restricted cash equivalents | | – | | 40,000 | | – |
| Marketable securities | | 281,602 | | – | | – |
| Reclamation bond | | – | | 110,670 | | – |
| Accounts payable and accrued liabilities | | – | | – | | 1,385,368 |
| Accrued penalties and Part XII.6 taxes | | – | | – | | 1,881,698 |
| Mortgage payable | | – | | – | | 149,936 |

**(Expressed in Canadian dollars)**

## 18. FINANCIAL INSTRUMENTS (continued)

| November 30, 2021 | Financial assets at fair value through profit of loss | Financial assets at amortized cost | Financial liabilities at amortized cost |
|---|---|---|---|
| Cash | $ – | $ 1,074,656 | $ – |
| Restricted cash equivalents | – | 40,000 | – |
| Marketable securities | 544,084 | – | – |
| Reclamation bond | – | 111,930 | – |
| Accounts payable and accrued liabilities | – | – | 1,672,634 |
| Accrued penalties and Part XII.6 taxes | – | – | 1,881,698 |
| Mortgage payable | – | – | 145,644 |

**(b) Fair value**
Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between arm's length market participants at the measurement date.

The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The Company designated its marketable securities as fair value through profit and loss, which is measured at fair value and classified as level 1, except for marketable securities – warrants, which is classified as level 3. The carrying value of the marketable securities - warrants is determined using the Black-Scholes option pricing model.

**(c) Credit risk**
The Company has no trade accounts. The exposure to credit risk for cash and cash equivalents is considered immaterial. The Company maintains all of its cash and cash equivalents invested in guaranteed investment certificate at a major Canadian financial institution. The Company believes that exposure to credit risk is low.

**(d) Liquidity risk**
Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at May 31, 2022, the Company had cash of $3,324,280 (November 30, 2021 - $1,074,656) to settle current liabilities of $3,417,002 (November 30, 2021 - $3,699,976).

**(e) Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's debentures have fixed interest rates and accrued penalties bear interest at the rate prescribed by CRA, which is revised quarterly. As at May 31, 2022, the Company had no hedging agreements in place with respect to floating interest rates.

## 18. FINANCIAL INSTRUMENTS (continued)

### (f) Currency risk

As the Company operates in the United States, some of the Company's assets, liabilities, and transactions are denominated in United States funds. Fluctuation in the exchange rates between the United States dollar and the Canadian dollar could have a material effect on the Company's business, financial condition, and results of operations.

As at May 31, 2022, the Company had net monetary liabilities denominated in United States funds of approximately $366,700 (US$290,000). Based upon the balance as at May 31, 2022, an increase of 15% in the U.S. to Canadian dollar exchange would result in a decrease in the net loss and comprehensive loss of $55,000, and a reduction of 15% would result in an increase in the net loss and comprehensive loss of $55,000. Management believes that it is not likely, but it is possible that the exchange rate could fluctuate by more than 15% within the next 12 months.

## 19. CAPITAL MANAGEMENT

The Company considers all of the components of shareholders' equity to be capital, the balance of which is $23,557,205 (November 30, 2021 – $20,597,571). The Company's objectives in managing capital are to safeguard its ability to operate as a going concern and to generate a superior return to shareholders. The Company expects to finance exploration activity through joint ventures, sales of property interests, entering into debt financing and by raising additional share capital when market conditions are suitable. The Company and its subsidiaries are not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the year.

## 20. COMMITMENTS AND CONTINGENT LIABILITIES

**Flow-through obligations**

As a result of the amalgamation with Explor in December 2019, the Company has assumed certain liabilities and contingent liabilities. Canada Revenue Agency ("CRA") has disallowed the eligibility of certain Canadian Exploration Expenses ("CEE") previously renounced and reassessed a shortfall of CEE spending obligations of approximately $3,800,000 and $2,300,000 on flow-through financings completed in 2011–2013 calendar years ("2011-2013 FT") and 2016–2017 calendar years ("2016-2017 FT"), respectively. As a result, CRA and Revenue Quebec have assessed a combined associated penalties and taxes of approximately $2,600,000, of which $764,000 has been paid to CRA. As of May 31, 2022, the appeal filed with CRA with respect to 2011-2013 FT is in review, and the Company plans to file an objection with regards to the 2016-2017 FT within the prescribed time frame.

A of May 31, 2022, the Company has a total of $2,105,370 of flow-through funds, from a private placement completed in March 2022 (Note 12 (ii)), to be spent by December 31, 2023. The Company has fully spent the flow-through funds, originated from private placements completed in 2020, which were required to be spent by December 31, 2021.

**First Nations Agreement**

The Company has Memorandum of Understanding ("MOU") with the Flying Post First Nation and Mattagami First Nation (collectively "West Cache First Nations") pursuant to which the Company will pay 2% of all direct exploration costs incurred on the West Cache Gold property to West Cache First Nations.