MAYFAIRGOLD

# CONDENSED INTERIM FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

(Unaudited)

## MANAGEMENT'S RESPONSIBILITY FOR INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed interim financial statements have been prepared by management in accordance with the accounting policies disclosed in the notes to the Company's audited financial statements as at December 31, 2021. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. The interim financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") appropriate in the circumstances.

The Company maintains adequate systems of internal controls. Such systems are designed to provide reasonable assurance that transactions are properly authorized and recorded, the Company's assets are appropriately accounted for and adequately safeguarded and that the financial information is relevant and reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements and the accompanying management's discussion and analysis. The Board of Directors carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors and all of its members are non-management directors. The Audit Committee meets periodically with management and the external auditors to discuss internal controls, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee also reviews the financial statements, management's discussion and analysis, the external auditors' reports, examines the fees and expenses for audit services, and considers the engagement or reappointment of the external auditors. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the financial statements for issuance to the shareholders.

(signed) *"Patrick Evans"*

**Patrick Evans**
President & Chief Executive Officer
November 15, 2022

(signed) *"Justin Byrd"*

**Justin Byrd**
Chief Financial Officer
November 15, 2022

## INTERIM STATEMENTS OF FINANCIAL POSITION

Expressed in Canadian dollars
(Unaudited)

| | Notes | September 30, 2022 | December 31, 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets | | | |
| Cash | | $ 5,682,809 | $ 12,035,601 |
| Amounts receivable | | 297,037 | 183,266 |
| Prepaid expenses | 4 | 580,599 | 606,981 |
| | | 6,560,445 | 12,825,848 |
| Non-current assets | | | |
| Property, plant and equipment | 5, 6 | 546,178 | 544,988 |
| Mineral properties | 7 | 13,997,500 | 13,997,500 |
| | | 14,543,678 | 14,542,488 |
| **Total assets** | | $ 21,104,123 | $ 27,368,336 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | $ 1,028,821 | $ 757,963 |
| Lease liability | 6 | 24,832 | 58,866 |
| Deferred premium on flow-through shares | 8, 9 | 1,067,877 | 1,207,878 |
| | | 2,121,530 | 2,024,707 |
| Non-current liabilities | | | |
| Lease liability | 6 | - | 9,967 |
| | | - | 9,967 |
| **Total liabilities** | | 2,121,530 | 2,034,674 |
| Shareholders' equity: | | | |
| Share capital | 9 | 42,123,129 | 37,364,565 |
| Share-based payments reserve | 9 | 2,952,079 | 1,636,911 |
| Deficit | | (26,092,615) | (13,667,814) |
| **Shareholders' equity** | | 18,982,593 | 25,333,662 |
| **Total liabilities and shareholders' equity** | | $ 21,104,123 | $ 27,368,336 |

The accompanying notes to the interim financial statements are an integral part to these financial statements.

**Approved on behalf of the Board of Directors:**

*(Signed) "Chris Reynolds"*

**Chris Reynolds**
Director
November 15, 2022

*(Signed) "Sean Pi"*

**Sean Pi**
Director
November 15, 2022

MAYFAIRGOLD

## INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Expressed in Canadian dollars
(Unaudited)

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | **Notes** | **2022** | 2021 | **2022** | 2021 |
| **Expenses** | | | | | |
| Exploration and evaluation expenses | **12** | **$ 3,084,345** | $ 3,209,599 | **$ 11,705,803** | $ 6,550,921 |
| General and administrative expenses | **13** | **404,010** | 458,418 | **1,341,304** | 1,639,876 |
| Share-based payment expense | **9** | **48,008** | 66,898 | **1,315,168** | 488,713 |
| Depreciation expense | **5** | **39,286** | 27,166 | **115,236** | 52,009 |
| Foreign exchange (gain) loss | | **(6,723)** | (5,634) | **(9,996)** | 9,605 |
| Interest income | | **(37,923)** | (9,320) | **(53,713)** | (20,249) |
| Other income - flow through premium | **8** | **(781,123)** | (919,607) | **(1,989,001)** | (1,655,008) |
| **Loss and comprehensive loss for the period** | | **$ 2,749,880** | $ 2,827,520 | **$ 12,424,801** | $ 7,065,867 |
| Basic and diluted loss per common share | | **$ 0.03** | $ 0.04 | **$ 0.15** | $ 0.10 |
| Weighted average number of common shares outstanding - basic and diluted | | **84,951,007** | 76,651,007 | **82,100,091** | 74,307,463 |

The accompanying notes to the interim financial statements are an integral part to these financial statements.

## INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Expressed in Canadian dollars
(Unaudited)

| | Notes | Number of shares | Share capital | Share-based payments reserve | Deficit | Total |
|---|---|---|---|---|---|---|
| Balance, January 1, 2021 | | 67,511,485 | $ 18,494,747 | $ 1,081,300 | $ (3,384,637) | **$ 16,191,410** |
| Issuance of common shares - in kind for services | **9 (ii)** | 1,622 | 3,000 | - | - | **3,000** |
| Issuance of common shares - private placements | **9 (ii)** | 13,137,900 | 24,417,985 | - | - | **24,417,985** |
| Flow-through premium - private placements | **9 (ii)** | - | (3,800,870) | - | - | **(3,800,870)** |
| Share issue costs | **9 (ii)** | - | (1,750,297) | - | - | **(1,750,297)** |
| Share-based payment expense | **9 (iii)** | - | - | 555,611 | - | **555,611** |
| Loss and comprehensive loss for the year | | - | - | - | (10,283,177) | **(10,283,177)** |
| Balance, December 31, 2021 | | 80,651,007 | 37,364,565 | 1,636,911 | (13,667,814) | **25,333,662** |
| Issuance of common shares - private placement | **9 (ii)** | 4,300,000 | 7,009,000 | - | - | **7,009,000** |
| Flow-through premium - private placement | **9 (ii)** | - | (1,849,000) | - | - | **(1,849,000)** |
| Share issue costs | **9 (ii)** | - | (401,436) | - | - | **(401,436)** |
| Share-based payment expense | **9 (iii)** | - | - | 1,315,168 | - | **1,315,168** |
| Loss and comprehensive loss for the period | | - | - | - | (12,424,801) | **(12,424,801)** |
| **Balance, September 30, 2022** | | **84,951,007** | **$ 42,123,129** | **$ 2,952,079** | **$ (26,092,615)** | **$ 18,982,593** |

The accompanying notes to the interim financial statements are an integral part to these financial statements.

## INTERIM STATEMENTS OF CASH FLOWS

Expressed in Canadian dollars
(Unaudited)

| | Notes | Nine months ended September 30, 2022 | 2021 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net loss for the period | | **$ (12,424,801)** | $ (7,065,867) |
| Adjustments: | | | |
| Foreign exchange (gain) loss | | **(9,996)** | 9,605 |
| Depreciation | | **115,236** | 52,009 |
| Other income - flow-through premium | | **(1,989,001)** | (1,655,008) |
| Share-based payment expense | | **1,315,168** | 488,713 |
| Changes in non-cash operating working capital: | | | |
| Amounts receivable | | **(113,771)** | (218,726) |
| Prepaid expenses | | **26,382** | (705,053) |
| Accounts payable and accrued liabilities | | **270,858** | 543,429 |
| **Cash used in operating activities** | | **(12,809,925)** | (8,550,898) |
| **Investing Activities** | | | |
| Acquisition of property, plant and equipment | **5** | **(116,426)** | (190,820) |
| **Cash used in investing activities** | | **(116,426)** | (190,820) |
| **Financing Activities** | | | |
| Issuance of shares - private placements proceeds, net of costs | **9 (ii)** | **6,607,564** | 18,246,313 |
| Payment of lease liability | **6** | **(44,001)** | - |
| **Cash from financing activities** | | **6,563,563** | 18,246,313 |
| Effect of foreign exchange rate changes on cash | | **9,996** | (9,605) |
| **Net (decrease) increase in cash** | | **(6,352,792)** | 9,494,990 |
| Cash, beginning of period | | **12,035,601** | 2,132,245 |
| **Cash, end of period** | | **$ 5,682,809** | $ 11,627,235 |

**Supplementary cash-flow information**

*Non-cash transactions:*

Common shares with a fair value of $Nil were issued to settle consulting services provided to the Company for the nine months ended September 30, 2022 (September 30, 2021 - $3,000).

The accompanying notes to the interim financial statements are an integral part to these financial statements.

## 1. NATURE OF OPERATIONS

Mayfair Gold Corp. (“Mayfair Gold” or the “Company”) was incorporated on July 30, 2019, under the British Columbia Business Corporation Act. The address of the Company’s registered and records office is Suite 700 – 1199 West Hastings Street, Vancouver, BC, Canada, V6E 3T5. The Company’s principal place of business is 489 MacDougall Street, Matheson, ON, Canada, P0K 1N0. The principal business of the Company is to acquire, explore, evaluate and develop mineral properties.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. The international response to the spread of COVID-19 has led to significant restrictions on travel; temporary business closures; quarantines; global stock market and financial market volatility; a general reduction in consumer activity; operating, supply chain and project development delays and disruptions; and declining trade and market sentiment; all of which have and could further affect commodity prices, interest rates, credit ratings and credit risk.

Current global financial and economic conditions can be unpredictable. Many industries are impacted by these market conditions and the COVID-19 virus. Some key impacts of the current financial market turmoil arising from the COVID-19 virus include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity and commodity markets, foreign exchange rates, novel fiscal policy and monetary policy and monetary markets and a lack of market liquidity. Additionally, global economic conditions arising from the COVID-19 virus may cause a long-term decrease in asset values. If such global volatility and market turmoil continue, the Company’s operations and financial condition could be adversely impacted. The overall severity and duration of COVID-19-related adverse impacts on the Company’s business will depend on future developments, which cannot currently be predicted, including directives of the federal and provincial governments and health authorities.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim financial statements of the Company were prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting (“IAS 34”). The accounting policies used in the preparation of these unaudited condensed interim financial statements are consistent with those used in the annual financial statements for the year ended December 31, 2021 and should be read in conjunction with the Company’s annual financial statements as at and for the year ended December 31, 2021. They do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). However, selected explanatory 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. These interim financial statements were authorized for issue by the Company’s Board of Directors on November 15, 2022.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the condensed interim financial statements and reported amounts of revenues and expenses during the three and nine months ended September 30, 2022 and 2021. Estimates and assumptions used in preparation of these condensed interim financial statements are consistent with those used by the Company in preparing the annual financial statements as at and for the year ended December 31, 2021. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events which are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Expressed in Canadian Dollars

## 4. PREPAID EXPENSES

The Company's prepaid expenses consist of deposits for drilling related expenses, insurance policy prepayments, software, and other expenses.

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Prepaid expenses | $ 62,878 | $ 100,833 |
| Deposits with suppliers | 517,720 | 506,148 |
| | $ 580,599 | $ 606,981 |

## 5. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment as at September 30, 2022 and December 31, 2021, is as follows:

| | Computers | Furniture and Fixtures | Building Exploration Office | Land Exploration Office | Machinery and Equipment | Vehicles | Right-of-Use Lease Assets | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| At January 1, 2021 | $ 57,624 | $ 3,843 | $ 227,962 | $ 69,000 | $ 8,374 | $ - | $ - | $ 366,803 |
| Additions | 6,550 | 9,367 | 12,400 | - | 27,650 | 130,050 | 88,105 | 274,122 |
| At December 31, 2021 | 64,174 | 13,210 | 240,362 | 69,000 | 36,024 | 130,050 | 88,105 | 640,925 |
| Additions | 3,608 | - | 103,268 | - | 9,550 | - | - | 116,426 |
| **At September 30, 2022** | **$ 67,782** | **$ 13,210** | **$ 343,630** | **$ 69,000** | **$ 45,574** | **$ 130,050** | **$ 88,105** | **$ 757,351** |
| **Accumulated depreciation** | | | | | | | | |
| At January 1, 2021 | $ (4,939) | $ - | $ (1,648) | $ - | $ (140) | $ - | $ - | $ (6,727) |
| Depreciation | (31,348) | (1,960) | (9,355) | - | (5,216) | (21,752) | (19,579) | (89,210) |
| At December 31, 2021 | (36,287) | (1,960) | (11,003) | - | (5,356) | (21,752) | (19,579) | (95,937) |
| Depreciation | (24,690) | (1,981) | (8,415) | - | (6,836) | (29,262) | (44,052) | (115,236) |
| **At September 30, 2022** | **$ (60,977)** | **$ (3,941)** | **$ (19,418)** | **$ -** | **$ (12,192)** | **$ (51,014)** | **$ (63,631)** | **$ (211,173)** |
| **Carrying amounts** | | | | | | | | |
| At December 31, 2021 | $ 27,887 | $ 11,250 | $ 229,359 | $ 69,000 | $ 30,668 | $ 108,298 | $ 68,526 | $ 544,988 |
| **At September 30, 2022** | **$ 6,805** | **$ 9,269** | **$ 324,212** | **$ 69,000** | **$ 33,382** | **$ 79,036** | **$ 24,474** | **$ 546,178** |

## 6. LEASES

The Company is party to contracts that contain a lease for the rental of storage facilities. With the exception of short-term leases, leases with low-value, and leases with variable payments proportional to the rate of use of the underlying asset, which are included in expenses in the statements of loss and comprehensive loss, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 5).

The Company makes certain judgements and estimations in regards to the calculation of an appropriate discount rate for lease accounting. For the rental contracts of storage facilities without implicit discount rates, the Company determined the incremental rate of borrowing to be 2.7% per annum based upon quotes from lenders for loans of similar value and duration.

Expressed in Canadian Dollars

| | September 30, 2022 | December 31, 2021 |
|---|---|---|
| Lease liabilities | $ 68,833 | $ 88,105 |
| Lease payments made | (45,000) | (20,000) |
| Interest expense on lease liabilities | 999 | 728 |
| **Lease liability remaining** | **$ 24,832** | **$ 68,833** |
| Lease liability, Current | 24,832 | 58,866 |
| Lease liability, Non-current | $ - | $ 9,967 |

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease are as follows:

| | | |
|---|---|---|
| October 1, 2022 to February 28, 2023 | $ | 25,000 |

## 7. MINERAL PROPERTIES

On June 8, 2020, the Company entered into a binding asset purchase agreement (the "Asset Purchase Agreement") with Lake Shore Gold Corp. ("Lake Shore"). Pursuant to the terms of the Asset Purchase Agreement, the Company agreed to acquire 21 fee simple patented properties, 153 unpatented mining claims, and 144 patented leasehold mining claims located in the Guibord, Munro, Michaud and McCool Townships in northeast Ontario, Canada (collectively, the "Fenn-Gib Property"). As consideration for the acquisition of the Fenn-Gib Property (the "Acquisition"), the Company agreed to: (i) pay Lake Shore a cash payment of US$11,000,000; and (ii) grant Lake Shore a 1.0% net smelter returns royalty derived from the future production of minerals from the Fenn-Gib Property. On December 31, 2020, the transaction closed and $13,997,500 (US$11,000,000) was paid and recorded as mineral properties on the financial statements. The continuity of the Mineral Properties is as follows:

| | **September 30, 2022** | December 31, 2021 |
|---|---|---|
| Balance, beginning of period | **$ 13,997,500** | $ 13,997,500 |
| Acquired mineral rights and claims | **-** | - |
| Balance, end of period | **$ 13,997,500** | $ 13,997,500 |

## 8. DEFERRED PREMIUM ON FLOW-THROUGH SHARES

The premium paid for flow-through shares in excess of the fair value of common shares is initially recognized as a liability. The liability is reduced on a pro-rata basis and recorded in other income based on the corresponding eligible expenditures that have been incurred.

| | **September 30, 2022** | December 31, 2021 |
|---|---|---|
| Balance, beginning of period | **$ 1,207,878** | $ - |
| Deferred premium liability recognized on flow-through issuances | **1,849,000** | 3,800,870 |
| Income recognized based on corresponding eligible expenditures | **(1,989,001)** | (2,592,992) |
| Balance, end of period | **$ 1,067,877** | $ 1,207,878 |

## 9. SHARE CAPITAL

*(i) Authorized share capital*

Unlimited common shares, without par value. Each common share entitles the holder to one shareholder vote. There is no other class of shares in the Company.

Expressed in Canadian Dollars

*(ii) Share capital*

The number of shares issued and fully paid as at September 30, 2022 is 84,951,007. No preferred shares are issued or outstanding. Transactions for the issue of share capital during the nine months ended September 30, 2022 and the year ended December 31, 2021 are as follows:

(a) On March 11, 2021, the Company closed its initial public offering of flow-through and non-flow-through common shares, at a fair value of $2.62 and $1.85 per share, respectively. The Company issued 3,731,000 flow-through common shares for total consideration of $9,775,220 and 5,406,900 non-flow-through common shares for total consideration of $10,002,765. An amount of $2,872,870 was recognized as the premium paid for the flow-through shares in excess of the fair value of the common shares, and was initially recognized as a liability. Share issuance costs of $1,531,672 were incurred in connection with the offering.

(b) On March 24, 2021, the Company issued 1,622 common shares at a fair value of $1.85 per share for total consideration of $3,000. These shares were issued in connection with consulting services provided to the Company.

(c) On December 13, 2021, the Company completed a flow-through private placement consisting of the issue of 4,000,000 common shares at a price of $1.16 per share for total consideration of $4,640,000. An amount of $928,000 was recognized as the premium paid for the flow-through shares in excess of the fair value of the common shares, and was initially recognized as a liability. Share issuance costs of $218,625 were incurred in connection with the offering.

(d) On June 30, 2022, the Company completed a flow-through private placement consisting of the issue of 4,300,000 common shares at a price of $1.63 per share for total consideration of $7,009,000. An amount of $1,849,000 was recognized as the premium paid for the flow-through shares in excess of the fair value of the common shares, and was initially recognized as a liability. Share issuance costs of $401,436 were incurred in connection with the offering.

*(iii) Stock options*

The Company, through its Board of Directors and shareholders, adopted a long-term equity incentive plan (the “Plan”) which, among other things, allows for the maximum number of shares that may be reserved for issuance under the Plan to be 10% of the Company’s issued and outstanding shares at the time of the grant. The Board of Directors has the authority and discretion to grant stock options as identified in the Plan, which includes provisions limiting the issuance of options to qualified persons and employees of the Company to maximums identified in the Plan and the vesting terms.

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2022 and December 31, 2021:

| | **September 30, 2022** | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | **Number of options** | | **Weighted average exercise price** | Number of options | | Weighted average exercise price |
| Balance at beginning of period | **3,850,000** | **$** | **0.54** | 3,650,000 | $ | 0.47 |
| Granted during the period | **1,855,000** | **$** | **0.90** | 200,000 | $ | 1.75 |
| **Balance at end of the period** | **5,705,000** | **$** | **0.65** | 3,850,000 | $ | 0.54 |
| **Options exercisable at the end of the period** | **4,770,000** | **$** | **0.65** | 3,400,000 | $ | 0.55 |

The fair value of the 1,855,000 stock options granted has been estimated on the date of grant using the Black-Scholes option pricing model, using the assumptions below, and totaled $1,350,997 or $0.73 per option. Of the stock options granted, 1,370,000 vested immediately, 242,500 vested upon the completion of the 80,000-meter drill program, and 242,500 shall vest on the first anniversary of the aforementioned.

Expressed in Canadian Dollars

The fair value of the 200,000 stock options granted during the year ended December 31, 2021, has been estimated on the date of grant using the Black-Scholes option pricing model, using the assumptions below, totaled $290,200 or $1.45 per option and vested immediately.

| | **September 30, 2022** | December 31, 2021 |
|---|---|---|
| Exercise price | $0.90 | $1.75 |
| Expected volatility | 80% | 84% |
| Expected option life | 10 years | 10 years |
| Expected forfeiture | - | - |
| Expected dividend yield | 0% | 0% |
| Risk-free interest rate | 1.73% | 1.51% |
| Fair value per option | $0.73 | $1.45 |

The following tables reflect the Black-Scholes values, the number of stock options outstanding, and the exercise price of stock options outstanding at September 30, 2022:

| **Expiry Date** | **Black-Scholes Value** | | **Number of Options** | **Exercise Price** | |
|---|---|---|---|---|---|
| December 31, 2030 | $ | 1,435,180 | 3,650,000 | $ | 0.47 |
| May 3, 2031 | $ | 290,200 | 200,000 | $ | 1.75 |
| January 6, 2032 | $ | 1,350,997 | 1,855,000 | $ | 0.90 |

The weighted average remaining contractual life of the options outstanding at September 30, 2022, is 8.6 years. The share-based payments recognized as an expense for the three and nine months ended September 30, 2022 and 2021, are as follows:

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Expense recognized in the period for share-based payments | **$ 48,008** | $ 66,898 | **$ 1,315,168** | $ 488,713 |

## 10. RELATED PARTIES

The Company's related parties include key management personnel and their close family members, the Company's directors and their close family members and Heeney Capital Corp, a corporation co-owned by a director of the Company. Related party transactions are recorded at their exchange amount, being the amount agreed to by the parties. The Company had transactions and balances with key management personnel and with directors of the Company. Transactions with key management personnel and directors are in the nature of consulting services provided to the Company. The renumeration of key management personnel for the three and nine months ended September 30, 2022 and 2021 were as follows:

Expressed in Canadian Dollars

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Consulting fees and director fees | **$ 145,042** | $ 134,124 | **$ 451,144** | $ 412,510 |
| Share-based payment expense | **-** | - | **910,375** | 290,200 |
| | **$ 145,042** | $ 134,124 | **$ 1,361,519** | $ 702,710 |

The amounts payable to key management personnel at September 30, 2022 and December 31, 2021 were included in accounts payable and accrued liabilities as follows:

| | **September 30, 2022** | December 31, 2021 |
|---|---|---|
| Payable to key management personnel | **$ 22,695** | $ 265,104 |

## 11. FINANCIAL INSTRUMENTS

*Fair value measurement*

The Company categorizes each of its fair value measurements in accordance with a fair value hierarchy. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3 inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The fair values of cash approximate the carrying value due to the relatively short-term maturity of this financial instrument and is classified as Level 1 measurement.

*Financial instruments risks*

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and market risk.

*Credit risk*

The Company is exposed to credit risk by holding cash. This risk is minimized by holding the funds in Canadian Schedule 1 banks. The Company has minimal accounts receivable exposure as its refundable credits are due from the Canadian Government.

*Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. The Company manages this risk by careful management of its working capital to ensure its expenditures will not exceed available resources. The Company’s ability to fund its operations and capital expenditures and other obligations as they become due is dependent on market conditions.

*Market risk*

Market risk is the risk that changes in market prices such as foreign exchange rates will affect the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing returns.

*Foreign currency*

The Company is exposed to market risk related to foreign exchange rates. The Company operates in Canada and has foreign currency exposure to transactions in U.S. dollars. The majority of the ongoing operational costs are in Canadian dollars and are funded through operating and financing cash flows.

As at September 30, 2022 and December 31, 2021, the Company had cash, accounts payable and accrued liabilities that are in U.S. dollars. The Canadian dollar equivalent is as follows:

| | **September 30, 2022** | December 31, 2021 |
|---|---|---|
| Cash | **$ 59,556** | $ 334,899 |
| Accounts payable and accrued liabilities | **(71)** | (185) |
| **Total** | **$ 59,485** | $ 334,714 |

A 10% appreciation or depreciation of the Canadian dollar relative to the U.S. dollar at September 30, 2022, would have resulted in an increase or decrease to net loss for the period of approximately $5,900 (December 31, 2021 - $33,500).

## 12. EXPLORATION AND EVALUATION EXPENSES

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Exploration personnel and program support | **$ 312,012** | $ 365,026 | **$ 1,020,417** | $ 1,004,400 |
| Camp maintenance, supplies, mobilization, general costs | **373,149** | 294,364 | **1,398,432** | 664,783 |
| Survey | **21,060** | - | **60,583** | 116,562 |
| Drilling | **1,596,193** | 2,123,300 | **5,421,110** | 4,021,459 |
| Exploration contractors | **241,375** | - | **2,262,803** | - |
| Laboratory analysis | **357,088** | 250,504 | **898,043** | 452,193 |
| Other exploration and evaluation | **183,468** | 176,405 | **644,415** | 291,524 |
| | **$ 3,084,345** | $ 3,209,599 | **$ 11,705,803** | $ 6,550,921 |

## 13. GENERAL AND ADMINISTRATIVE EXPENSES

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Management fees | **$ 163,662** | $ 146,582 | **$ 509,749** | $ 447,027 |
| Professional fees | **25,820** | 56,774 | **143,877** | 430,073 |
| Transfer agent & regulatory fees | **36,617** | 27,709 | **100,896** | 199,716 |
| Other general and administrative | **177,911** | 227,353 | **586,782** | 563,060 |
| | **$ 404,010** | $ 458,418 | **$ 1,341,304** | $ 1,639,876 |

## 14. CAPITAL MANAGEMENT

The capital of the Company consists of its shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue to pursue the exploration and evaluation of its mineral properties and to maintain optimal returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in order to have the funds available to support the acquisition and exploration and evaluation of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out the planned management of the Company and to pay for administrative costs, the Company will utilize its existing working capital and as required, raise additional funds through equity financings. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during period ended September 30, 2022.

## 15. SEGMENTED REPORTING

The Company has determined that it has only one operating segment, which is defined as an exploration and development unit in Canada.