

KINGFISHER METALS CORP.

(formerly Seashore Resource Partners Corp.)

Condensed Consolidated Interim Financial Statements

Nine Months ended September 30, 2021

Unaudited

(Expressed in Canadian dollars)

KINGFISHER METALS CORP.

Condensed Consolidated Interim Statements of Financial Position
(Expressed in Canadian Dollars)

| | As at September 30, 2021 | As at December 31, 2020 |
|---|--------------------------------|-------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 5,797,419 | \$ 116,735 |
| Amounts receivable | 387,510 | 40,916 |
| Prepaid expenses | 114,686 | 6,892 |
| | 6,299,615 | 164,543 |
| Exploration and evaluation assets (Note 4) | 6,055,381 | 1,675,049 |
| Property and equipment (Note 5) | 296,703 | 58,836 |
| Restricted cash | 146,500 | - |
| | \$ 12,798,199 | \$ 1,898,428 |
| Liabilities and Equity | | |
| Current: | | |
| Accounts payable and accrued liabilities | \$ 906,925 | \$ 79,113 |
| Shareholders' loan | - | 551 |
| Obligation to issue shares (Note 6) | 100,000 | - |
| Flow-Through share premium liability (Note 7b and 11) | 111,823 | - |
| | 1,118,748 | 79,664 |
| Shareholders' equity | | |
| Capital stock (Note 7) | 13,642,169 | 2,373,161 |
| Contributed surplus (Note 7) | 1,361,157 | - |
| Deficit | (3,323,875) | (554,397) |
| | 11,679,451 | 1,818,764 |
| | \$ 12,798,199 | \$ 1,898,428 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 12)

See accompanying notes.

These financial statements are authorized for issue by the Board of Directors on November 29, 2021.

"Dustin Perry"
.....Director

"David Loretto"
.....Director

KINGFISHER METALS CORP.

Condensed Consolidated Interim Statements of Loss
(Unaudited - Expressed in Canadian Dollars)

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|---------------|---------------------------|---------------|
| | September 30, | September 30, | September 30, | September 30, |
| | 2021 | 2020 | 2021 | 2020 |
| General and administrative expenses | | | | |
| Amortization | \$ 13,539 | \$ 4,114 | \$ 38,013 | \$ 4,114 |
| Audit and accounting | 27,000 | 1,500 | 32,500 | 1,500 |
| Bank charges | 2,181 | 417 | 4,270 | 780 |
| Business development | - | - | - | 20,000 |
| Consulting and directors' fees | 24,097 | - | 74,346 | 12,403 |
| Corporate relations | 181,292 | 1,163 | 219,204 | 3,503 |
| Insurance | 6,647 | 2,855 | 15,219 | 2,855 |
| Legal | 1,357 | - | 10,093 | 22,303 |
| Management fee | 87,500 | 48,333 | 262,499 | 145,000 |
| Office and administration | 7,940 | 7,347 | 53,323 | 15,550 |
| Salaries and wages | 5,562 | - | 14,701 | - |
| Share-based compensation | 261,768 | - | 1,112,545 | - |
| Shareholder relations | 1,050 | - | 87,654 | - |
| Transfer and filing fees | 42,212 | - | 110,173 | - |
| Travel and entertainment | 7,457 | 678 | 16,269 | 10,562 |
| | (669,602) | (66,407) | (2,050,809) | (238,570) |
| Other Items | | | | |
| Flow-through recovery (Note 7b and 11) | 542,177 | - | 542,177 | - |
| Interest | - | - | 649 | - |
| Listing expense (Note 3) | - | - | (1,261,495) | - |
| | 542,177 | - | (718,669) | - |
| Net loss for the period | \$ (127,425) | \$ (66,407) | (2,769,478) | \$ (238,570) |
| Loss per share, basic | \$ (0.00) | \$ (0.00) | \$ (0.04) | \$ (0.01) |
| Weighted average number of common shares outstanding | 79,091,114 | 32,005,975 | 65,600,316 | 28,932,779 |

See accompanying notes.

KINGFISHER METALS CORP.Condensed Consolidated Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

| For the nine months ended | September 30, 2021 | September 30, 2020 |
|---|-------------------------------|-------------------------------|
| Operating activities | | |
| Net loss for the period | \$ (2,769,478) | \$ (238,570) |
| Changes non-cash operating items: | | |
| Amortization | 38,013 | 4,114 |
| Flow-through recovery | (542,177) | - |
| Share-based compensation | 1,112,545 | - |
| Listing expense | 1,261,495 | - |
| | (899,602) | (234,456) |
| Changes non-cash working capital: | | |
| Amounts receivable | (346,594) | 5,901 |
| Prepaid expenses | (107,794) | 4,913 |
| Accounts payable and accrued liabilities | 158,294 | 9,925 |
| | (296,094) | 20,739 |
| Cash used in operating activities | (1,195,696) | (213,717) |
| Financing activities | | |
| Issuance of common shares from private placements | 10,706,370 | 1,039,036 |
| Share issue costs | (654,096) | - |
| Loan (repayment) from (to) shareholder | (551) | (6,834) |
| Options exercised for common shares | 8,500 | - |
| Warrants exercised for common shares | 724,813 | - |
| Cash provided by financing activities | 10,785,036 | 1,032,202 |
| Investing activities | | |
| Cash acquired on RTO (Note 3) | 124,538 | - |
| Additions to exploration and evaluation assets | (3,610,814) | (501,144) |
| Additions to property and equipment | (275,880) | (70,315) |
| Restricted cash | (146,500) | - |
| Cash used in investing activities | (3,908,656) | (571,459) |
| Net inflow of cash and cash equivalents | 5,680,684 | 247,026 |
| Cash and cash equivalents, beginning of the period | 116,735 | 322,580 |
| Cash and cash equivalents, end of the period | \$ 5,797,419 | \$ 569,606 |

Non-cash investing activity: The Company incurred \$722,653 in exploration and evaluation assets which were in accounts payable and accrued liabilities at September 30, 2021.

See accompanying notes.

KINGFISHER METALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars)

| | <u>Common Shares</u> | | Shares Subscribed | Share Based Compensation | Contributed Surplus | Deficit | Total |
|--|----------------------|--------------|----------------------|-----------------------------|------------------------|----------------|---------------|
| | Number | Amount | | | | | |
| Balance, December 31, 2020 | 39,173,801 | \$ 2,373,161 | \$ - | \$ - | \$ - | \$ (554,397) | \$ 1,818,764 |
| Shares issued pursuant to QT | 5,242,000 | 1,310,500 | - | - | 75,533 | - | 1,386,033 |
| Placement – net of issue costs | 24,120,000 | 5,830,993 | - | - | 68,545 | - | 5,899,538 |
| Charity Flow-through shares issued – net of issue costs | 5,450,000 | 3,051,895 | - | - | - | - | 3,051,895 |
| Flow-through shares issued – net of issue costs | 2,437,000 | 1,100,841 | - | - | - | - | 1,100,841 |
| Agent warrants | - | (138,205) | - | - | 138,205 | - | - |
| Flow-through premium liability | - | (654,000) | - | - | - | - | (654,000) |
| Options Exercised | 59,999 | 20,761 | - | - | (12,261) | - | 8,500 |
| Warrants Exercised | 5,410,500 | 746,223 | - | - | (21,410) | - | 724,813 |
| Share Based Compensation | - | - | - | 1,112,545 | - | - | 1,112,545 |
| Net loss for period | - | - | - | - | - | (2,769,478) | (2,769,478) |
| Balance, September 30, 2021 | 81,893,300 | \$13,642,169 | \$ - | \$ 1,112,545 | \$ 248,612 | \$ (3,323,875) | \$ 11,679,451 |

| | <u>Common Shares</u> | | Shares Subscribed | Share Based Compensation | Contributed Surplus | Deficit | Total |
|------------------------------------|----------------------|--------------|----------------------|-----------------------------|------------------------|--------------|--------------|
| | Number | Amount | | | | | |
| Balance, December 31, 2019 | 26,648,801 | \$ 1,119,125 | \$ 51,000 | \$ - | \$ - | \$ (69,421) | \$ 1,100,704 |
| Placement – net of issue costs | 10,955,000 | 1,090,036 | (51,000) | - | - | - | 1,039,036 |
| Shares issued for mining claims | 1,570,000 | 164,000 | - | - | - | - | 164,000 |
| Net loss for period | - | - | - | - | - | (238,570) | (238,570) |
| Balance, September 30, 2020 | 39,173,801 | \$ 2,373,161 | \$ - | \$ - | \$ - | \$ (307,991) | \$ 2,065,170 |

See accompanying notes.

KINGFISHER METALS CORP.

For the nine months ended September 30, 2021

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Kingfisher Metals Corp. (formerly Seashore Resource Partners Corp) (the "Company" or "Kingfisher") was incorporated under the Business Corporations Act (British Columbia) on September 7, 2017 as a Capital Pool Corporation defined in the Policy 2.4 of the TSX Venture Exchange (the "TSX-V"). The principal business of the Company was the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction ("QT"). The Company's registered office is 353 Water Street, Suite 401, Vancouver, B.C., V6B 1B8.

On March 12, 2021, the Company completed the share exchange transaction with Kingfisher Resources Ltd. ("KFR") (Note 3) which constituted the Company's QT. KFR was incorporated under the Business Corporations Act (British Columbia) on January 21, 2019 and its principal business focus is the exploration and development of mineral prospects in Canada. Upon completion of the QT, the Company began trading under its new name on the TSX-V with the symbol "KFR" (and shortly thereafter on the Frankfurt Stock Exchange under the symbol "970").

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. There is no assurance that the exploration activities of Kingfisher will result in future profitable operations. The business is subject to risk, market conditions, supply and demand, and competition. The Company currently has cash available to meet its administrative overhead and maintain its assets. The recoverability of amounts shown in assets is dependent on several factors. These factors include the ability of the Company to obtain financing to complete the planned exploration, and future cashflow from the Company's business.

However, there can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

These condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

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, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS issued by the IASB.

The accounting policies applied by the Company in the condensed consolidated interim financial statements are the same as those applied by the Company in its most recent annual financial statements for the year ended December 31, 2020.

KINGFISHER METALS CORP.

For the nine months ended September 30, 2021

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Significant accounting judgments, estimates and assumptions

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management judgements, estimates and assumptions include:

- The assessment of whether certain factors (both internal and external) would be considered an indicator of impairment and whether impairment testing is required on the exploration and evaluation assets.
- The determination that the Company will continue as a going concern for the next year.

(c) Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned integrated subsidiary, Kingfisher Resources Ltd., which was incorporated in British Columbia and is engaged in mining exploration and evaluation activities.

3. QUALIFYING TRANSACTION

In July of 2020, the Company and KFR entered into a share exchange agreement, which set out the principal terms upon which the Company was to acquire all of the issued and outstanding securities of KFR. The transaction would allow KFR to obtain a public listing by completing a reverse take-over transaction whereby KFR, substantively and for accounting purposes, was considered to be the acquiring and the continuing entity. The Company, after giving effect to the completion of the transaction, was referred herein as the resulting issuer. On March 12, 2021, the Company announced that it had completed its QT by acquiring all the issued and outstanding shares of KFR.

In connection with the transaction, the Company completed a concurrent financing totaling \$6,030,000 bringing the Company's total shares issued and outstanding to 68,945,801.

Accordingly, Kingfisher has accounted for the acquisition as a reverse takeover, and no goodwill or intangible asset been recorded (only a listing expense). Therefore, for accounting purposes, KFR, the legal subsidiary, has been treated as the accounting acquirer, and the Company, the legal parent, has been treated as the accounting acquiree in these consolidated financial statements.

As KFR was deemed to be the acquirer for accounting purposes, the Company's assets, liabilities, and operations since incorporation are included in these consolidated financial statements at their historical carrying values. Kingfisher's results of operations have been included from March 12, 2021, the date of completion of the acquisition.

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For the nine months ended September 30, 2021

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(Unaudited - Expressed in Canadian Dollars)

3. QUALIFYING TRANSACTION (Continued)

The QT is being accounted for as a capital transaction in which KFR is being identified as the acquirer of the Company and equity consideration is being measured at fair value. The QT does not constitute a business combination under IFRS 3. The QT is accounted for in the consolidated financial statements of the resulting issuer as a continuation of the consolidated financial statements of KFR.

For the purposes of accounting for the reverse takeover, the percentage of ownership of the pre-acquisition shareholders of the Company in the combined entity upon completion of the acquisition was determined to be 7.6% (which represents 5,242,000 common shares out of a total of 68,945,801 common shares of the Company outstanding upon closing of the QT).

The total purchase price of \$1,310,500 has been allocated as follows:

| | |
|--|---------------------|
| Fair value of consideration – purchase price | \$ 1,310,500 |
| Fair value of Seashore options | 75,533 |
| | <u>\$ 1,386,033</u> |
| Identifiable net assets of Seashore acquired by KFR Ltd. | |
| Cash | \$ 124,538 |
| Listing expense | 1,261,495 |
| | <u>\$ 1,386,033</u> |

The fair value of the Seashore options is estimated using the Black-Scholes option pricing model with assumptions as follows:

| | |
|--------------------------------|----------------|
| | March 12, 2021 |
| Risk-free interest rate | 1.03% |
| Expected annualized volatility | 100% |
| Expected life | 2.56 years |
| Dividend rate | Nil |

4. EXPLORATION AND EVALUATION ASSETS

Ecstall

On April 10, 2019, the Company completed the Ecstall purchase of 18 mineral claims totalling 20,735 hectares in Northwestern B.C. for 8,200,000 shares (at a value of \$205,000) from two shareholders. The Company also acquired and staked 10 additional claims on adjacent land (totalling approximately 4,281 hectares) by incurring costs of \$13,393. The Company incurred an additional fee of \$700 related to the purchase of the claims.

Thibert

On June 24, 2020, the Company entered into an asset purchase agreement to acquire Thibert claims from Kenorland Minerals Ltd. (“Kenorland”) (a company with a common director), consisting of 8 mineral claims totaling 12,475 hectares in Northwestern B.C. for the following:

KINGFISHER METALS CORP.

For the nine months ended September 30, 2021

Notes to the Condensed Consolidated Interim Financial Statements
(Unaudited - Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS (Continued)

- 1,000,000 common shares of the Company (issued);
- common shares of the Company equal to a value of \$100,000 on the first anniversary date of the listing on the TSX-V; and
- a 2% net smelter return royalty.

In March 2021, as the Company became listed on the TSX-V, the Company recorded a liability of \$100,000 for the above common shares to be issued (see Note 6).

Goldrange

On April 6, 2020, the Company completed a purchase from Kenorland (a company with a common director) of three mineral claims totaling 4,504 hectares in Southwestern B.C. (referred to here as Goldrange) for 500,000 common shares of the Company (at a value of \$50,000) plus a 2% net smelter return royalty.

Subsequently during the 2020 year, the Company acquired and staked 24 additional mineral claims (totaling approximately 16,574 hectares) by incurring costs of \$73,940 and issuing 70,000 common shares (at a value of \$14,000).

On February 15, 2021, the Company staked 12 additional mineral claims adjacent to the existing claims totaling 18,920 hectares for a cost of \$33,110.

| | Ecstall Claims | Thibert Claims | Goldrange Claims | Total |
|--|---------------------------|---------------------------|-----------------------------|------------------|
| Acquisition costs at December 31, 2019 | \$ 215,548 | \$ - | \$ - | \$ 215,548 |
| Acquisition costs, agreement for sale | - | 100,000 | 109,318 | 209,318 |
| Staking | 2,845 | - | 28,622 | 31,467 |
| As at December 31, 2020 | 218,393 | 100,000 | 137,940 | 456,333 |
| Acquisition costs, agreement for sale | 700 | 100,000 | - | 100,700 |
| Staking | - | - | 33,110 | 33,110 |
| As at September 30, 2021 | 219,093 | 200,000 | 171,050 | 590,143 |
| Exploration costs as at December 31, 2019 | 541,688 | - | - | 541,688 |
| Expenditures during the year: | | | | |
| Permit applications | 4,200 | - | - | 4,200 |
| Geologist and sundry exploration costs | 33,990 | - | 99,831 | 133,821 |
| Digitization | 10,216 | - | 4,661 | 14,877 |
| Airborne survey | 25,300 | - | 137,950 | 163,250 |
| Assays | 3,566 | - | 41,268 | 44,834 |
| Camp | 13,299 | - | 26,682 | 39,981 |
| Field gear | 2,081 | - | 28,272 | 30,353 |
| Helicopters | 4,475 | - | 131,107 | 135,582 |
| Labour | 14,608 | 1,141 | 46,204 | 61,953 |
| Reports | 5,000 | - | 4,244 | 9,244 |
| Transportation and travel | 9,348 | - | 29,585 | 38,933 |
| | 126,083 | 1,141 | 549,804 | 677,028 |
| Exploration costs as at December 31, 2020 | 667,771 | 1,141 | 549,804 | 1,218,716 |

KINGFISHER METALS CORP.

For the nine months ended September 30, 2021

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

Expenditures during the period:

| | | | | |
|--|-------------------|-------------------|---------------------|---------------------|
| Geologist and sundry exploration costs | 6,261 | 336 | 133,942 | 140,539 |
| Digitization | 24 | 972 | 7,520 | 8,516 |
| Airborne survey | - | - | 6,125 | 6,125 |
| Assays | 1,939 | - | 81,752 | 83,691 |
| Camp | 900 | - | 349,340 | 350,240 |
| Consulting | - | - | 36,079 | 36,079 |
| Drilling | - | - | 1,473,360 | 1,473,360 |
| Field gear | 13,500 | 4,800 | 59,632 | 77,932 |
| Geophysics | - | 61,100 | 131,500 | 192,600 |
| Gravity Survey | 98,150 | - | - | 98,150 |
| Helicopters | 34,293 | 10,120 | 1,152,515 | 1,196,928 |
| Labour | 21,994 | 52,795 | 444,362 | 519,151 |
| Reports | - | - | 5,197 | 5,197 |
| Transportation and travel | - | 5,350 | 136,464 | 141,814 |
| | 177,061 | 135,473 | 4,017,788 | 4,330,322 |
| Exploration costs as at Sep. 30, 2021 | 844,832 | 136,614 | 4,567,592 | 5,549,038 |
| Recovery – BCMETC, Sep. 30, 2021 | (83,800) | - | - | (83,800) |
| Balance September 30, 2021 | \$ 980,125 | \$ 336,614 | \$ 4,738,642 | \$ 6,055,381 |

5. PROPERTY AND EQUIPMENT

| | Automotive Equipment | Exploration Equipment | Office Equipment | Portable Camp | Total |
|---|-------------------------|--------------------------|---------------------|-------------------|-------------------|
| Cost | | | | | |
| At December 31, 2019 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital expenditures | 14,820 | 36,113 | 16,161 | - | 67,094 |
| At December 31, 2020 | 14,820 | 36,113 | 16,161 | - | 67,094 |
| Capital expenditures | - | 101,964 | 5,355 | 168,561 | 275,880 |
| At September 30, 2021 | \$ 14,820 | \$ 138,077 | \$ 21,516 | \$ 168,561 | \$ 342,974 |
| Accumulated depletion and depreciation | | | | | |
| At December 31, 2019 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Depletion and depreciation | (2,223) | (3,611) | (2,424) | - | (8,258) |
| At December 31, 2020 | (2,223) | (3,611) | (2,424) | - | (8,258) |
| Depletion and depreciation | (2,834) | (12,523) | (3,693) | (18,963) | (38,013) |
| At September 30, 2021 | \$ (5,057) | \$ (16,134) | \$ (6,117) | (18,963) | \$ (46,271) |
| Net book value | | | | | |
| December 31, 2020 | \$ 12,597 | \$ 32,502 | \$ 13,737 | \$ - | \$ 58,836 |
| September 30, 2021 | \$ 9,763 | \$ 121,943 | \$ 15,399 | \$ 149,598 | \$ 296,703 |

KINGFISHER METALS CORP.

For the nine months ended September 30, 2021

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

6. OBLIGATION TO ISSUE SHARES

The Company has committed to issue the following shares (see Note 4) upon its successful listing of its shares on the TSX-V:

| | Dollar value of shares to be issued greater than one year \$ |
|---------------------------------------|--|
| Kenorland Minerals Ltd. – Thibert (1) | 100,000 |
| Total | 100,000 |

(1) The Company acquired mineral claims on June 24, 2020 in exchange for an agreement to issue \$100,000 in common shares issued on the first anniversary of listing on the TSX-V. See note 4.

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

During nine months ended September 30, 2021:

On March 12, 2021, the Company issued a total of 24,120,000 units at a price of \$0.25 per unit for gross proceeds of \$6,030,000. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire one further common share at a price of \$0.50 per common share for a period of two years. The Company paid finder's fees of \$130,463 cash and issued 521,850 finder's warrants, with each finder's warrant entitling the holder to acquire one additional common share at a price of \$0.25 per share for two years.

On June 3, 2021, the Company closed a private placement for gross proceeds of \$4,600,000 (the "Offering"). The Offering was comprised of (i) 5,450,000 charity flow-through units (the "Charity FT Units") at a price of \$0.63 per Charity FT Unit for gross proceeds of \$3,433,500; and (ii) 2,437,000 flow-through units (the "FT Units") at a price of \$0.51 per FT Unit for gross proceeds of \$1,242,870.

Each Charity FT Unit and FT Unit consists of one flow-through common share and one half of one transferable non-flow-through common share purchase warrant. Each full warrant shall be exercisable into one additional non-flow-through common share of the Company for 24 months at an exercise price of \$0.70. The Company recognized a flow-through premium liability of \$654,000.

In connection with the Offering, the Agent received an aggregate cash fee of \$375,588 and 529,334 non-transferable compensation warrants (the "Compensation Warrants") with a fair value of \$138,205 (see Note 7(d)). Each Compensation Warrant will entitle the holder to purchase one common share at an exercise price equal to \$0.51 for a period of 24 months.

During the period, the Company issued a total of 5,410,500 common shares from the exercise of warrants for gross proceeds of \$724,813 and a total of 59,999 common shares from the exercise of options for gross proceeds of \$8,500.

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For the nine months ended September 30, 2021

Notes to the Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

7. CAPITAL STOCK *(Continued)*

(b) Issued and outstanding

During the nine months ended September 30, 2020:

On April 1, 2020, the Company issued a total of 955,000 units at a price of \$0.10 per unit for gross proceeds of \$95,500. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire one further common share at a price of \$0.125 per common share for a period of two years following the date that the Company commences trading on an established Canadian or U.S. securities exchange ("Going Public Transaction").

On April 9, 2020, the Company issued 500,000 common shares at a price of \$0.10 per share as part of an asset purchase agreement with Kenorland for the purchase of three mineral claims.

On June 24, 2020, the Company issued 1,000,000 common shares at a price of \$0.10 per share as part of an asset purchase agreement with Kenorland for the purchase of 8 mineral claims.

On July 31, 2020, the Company issued a total of 3,000,000 units at a price of \$0.10 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire one further common share at a price of \$0.125 per common share for a period of two years following the Going Public Transaction.

On September 18, 2020, the Company issued 3,500,000 flow-through units and 3,500,000 non-flow-through units at a price of \$0.10 per unit for gross proceeds of \$700,000. Each unit consists of one common share and one warrant. Each warrant is exercisable to acquire one further common share at a price of \$0.125 per common share for a period of two years following the Going Public Transaction.

On September 30, 2020, the Company issued 20,000 common shares at a price of \$0.20 per share as part of an asset purchase agreement with an individual for the purchase of mineral claims.

On September 30, 2020, the Company issued 50,000 common shares at a price of \$0.20 per share as part of an asset purchase agreement with a private company for the purchase of mineral claims.

(c) Incentive stock options

The Company has a stock option plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the discounted market price on the grant date. Unless otherwise specified by the Board of Directors at the time of granting an option, and subject to other term limits on option grants set out in the Plan, all options granted under the Plan shall vest and become exercisable in full upon grant, except options granted to consultants performing investor relations activities, which options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period.

The purpose of the Plan is to provide directors, officers, key employees, and certain other persons who provided services to the Company and its subsidiaries with an increased incentive to contribute to the future success and prosperity of the Company.

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7. CAPITAL STOCK (Continued)

(c) Incentive stock options (Continued)

On March 12, 2021, in accordance with the QT, KRL stock options were converted to 3,910,000 stock options of the Company (2,150,000 options are exercisable until December 27, 2024 and 1,760,000 options are exercisable until September 25, 2025). The options vest as follows: one-third immediately, one-third after six months, and one-third after one year.

On March 12, 2021, the Company also granted 1,890,000 stock options to various directors, executive officers, employees, and consultants. These options are exercisable until March 12, 2025, at a price of \$0.25 per share. The options vest as follows: one-third of the total options immediately, one-third of the total options in six months, and one-third of the total options in one year.

On May 25, 2021, the Company granted 360,000 stock options to various employees, and consultants. These options are exercisable until May 25, 2025, at a price of \$0.55 per share. The options vest as follows: one-third of the total options immediately, one-third of the total options in six months, and one-third of the total options in one year.

The following is a continuity of outstanding share options:

| | Number of Options | Weighted Average of Exercise Price |
|---------------------------------------|-------------------|------------------------------------|
| Balance at December 31, 2019 and 2020 | 400,000 | \$ 0.01 |
| Granted March 12, 2021 | 1,890,000 | \$ 0.06 |
| Exchanged in accordance with the QT | 3,910,000 | \$ 0.07 |
| Granted May 25, 2021 | 360,000 | \$ 0.03 |
| Exercised | (59,999) | \$ 0.14 |
| Balance September 30, 2021 | 6,500,001 | \$ 0.17 |

The fair value of each option is estimated using the Black-Scholes option pricing model with assumptions as follows:

| | May 25, 2021 | March 12, 2021 |
|--------------------------------|--------------|-----------------|
| Risk-free interest rate | 0.86% | 1.03% |
| Expected annualized volatility | 101% | 100% |
| Expected life | 5 years | 5 years |
| Exercise price | \$0.55 | \$0.10 – \$0.25 |
| Dividend rate | Nil | Nil |

The following table summarizes information about stock options that are outstanding at September 30, 2021:

| Number of Options | Price per Share | Expiry Date | Options Exercisable |
|-------------------|-----------------|--------------------|---------------------|
| 400,000 | \$0.10 | October 4, 2023 | 400,000 |
| 2,106,667 | \$0.10 | December 27, 2024 | 1,404,445 |
| 1,760,000 | \$0.10 | September 25, 2025 | 1,173,333 |
| 1,873,334 | \$0.25 | March 12, 2025 | 1,248,889 |
| 360,000 | \$0.55 | May 25, 2025 | 120,000 |
| 6,500,001 | | | 4,346,667 |

As at September 30, 2021, the weighted average contractual remaining life is 3.80 years.

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7. CAPITAL STOCK (Continued)**(d) Share purchase warrants**

The following is a continuity of outstanding warrants:

| | Number of Warrants | Weighted Average of Exercise Price |
|---------------------------------------|-----------------------|---|
| Balance at December 31, 2019 and 2020 | - | \$ - |
| Exchanged in accordance with the QT | 10,955,000 | \$ 0.125 |
| Issued | 24,120,000 | \$ 0.50 |
| Issued – Finder's warrants | 521,850 | \$ 0.25 |
| Issued – Charity Flow Through | 2,725,000 | \$ 0.63 |
| Issued – Finders warrants | 529,334 | \$ 0.51 |
| Issued – Flow Through | 1,218,500 | \$ 0.51 |
| Exercised | (5,410,500) | \$ 0.134 |
| Balance at September 30, 2021 | 34,659,184 | \$ 0.45 |

As at September 30, 2021, the weighted average contractual life of warrants is 1.48 years and the weighted average exercise price is \$0.45.

The fair value of finder's warrants is estimated using the Black-Scholes pricing model with assumptions as follows:

| | June 3, 2021 | March 12, 2021 |
|--------------------------------|--------------|----------------|
| Risk-free interest rate | 0.32% | 1.03% |
| Expected annualized volatility | 101% | 100% |
| Expected life | 2 years | 2 years |
| Dividend rate | Nil | Nil |

The following table summarizes information about warrants that are outstanding at September 30, 2021:

| Number of Warrants | Price per Share | Expiry Date |
|-----------------------|--------------------|----------------|
| 5,782,500 | \$0.125 | March 12, 2023 |
| 24,045,000 | \$0.50 | March 12, 2023 |
| 358,850 | \$0.25 | March 12, 2023 |
| 2,725,000 | \$0.63 | June 3, 2023 |
| 1,747,834 | \$0.51 | June 3, 2023 |
| 34,659,184 | | |

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8. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel for the years ended were as follows:

| | September 30, 2021 | December 31, 2020 |
|-----------------------------------|-----------------------|----------------------|
| Share-based compensation | \$ 613,221 | \$ - |
| Director fees | 14,652 | - |
| Management fees | 262,499 | 313,334 |
| Exploration and evaluation assets | 41,023 | 34,288 |
| Operating expenses | 500 | - |
| | \$ 931,895 | \$ 347,622 |

All transactions and balances are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. FINANCIAL INSTRUMENTS RISK

The Company's financial instruments are exposed to the following risks:

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparties do not fulfill their contractual obligations.

Cash and cash equivalents consist of cash bank balances. There are no short-term investments currently.

The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As at September 30, 2021, there were no significant amounts past due or impaired.

Market Risk

Market risk is the risk that changes in foreign exchange rates and interest rates will affect the Company's cash flows, net income and comprehensive income. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its purchases and capital commitments, and other financial obligations as they are due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking harm to the Company's reputation.

Foreign Exchange Risk

The Company currently does not have significant exposure to other currencies, and this is not expected to change in the foreseeable future as the capital commitments that are expected to be carried out in United States dollars will be limited.

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9. FINANCIAL INSTRUMENTS RISK *(Continued)*

Interest Rate Risk

The Company is exposed to interest rate risk on its cash and cash equivalents. The majority of these deposits have been in discounted instruments with pre-determined fixed yields. Interest rate movements will affect the fair value of these instruments, so the Company manages maturity dates of these instruments to match cash flow needs, enabling realization at no loss in almost all cases.

Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

During the six-month period ended September 30, 2021 and the year ended December 31, 2020, there were no transfers between level 1, 2 and 3 classified assets and liabilities.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support future exploration and maintaining investor, creditor and market confidence.

The Company defines its capital as shareholders' equity and working capital. The Board of Directors does not establish a 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 the event that adjustments to the capital structure are required, the Company may consider issuing additional equity, raising debt or revising its capital investment programs.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements or restrictions. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated. The Company may require equity issues to cover administrative and operating cost.

11. LIABILITY AND INCOME TAX EFFECT ON FLOW-THROUGH SHARES

Funds raised through the issuance of flow-through shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures. As at September 30, 2021, the Company has approximately \$587,000 to spend on qualified expenditures. See Note 7(b).

During the period ended September 30, 2021, the Company recognized a flow-through recovery of \$542,177. As at September 30, 2021, the liability for flow-through shares was \$111,823.

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12. SUBSEQUENT EVENTS

On October 21, 2021, the Company granted 50,000 stock options. These options are exercisable until October 21, 2026, at a price of \$0.65 per share. The options vest over a period of one year from the grant date.

Subsequent to September 30, 2021, the Company issued 2,680,000 common shares from the exercise of 2,680,000 warrants for total gross proceeds of \$335,000.

Subsequent to September 30, 2021, the Company staked 9 additional mineral claims adjacent to the existing Goldrange claims totaling 12,579 hectares for a cost of \$22,013.