Condensed Consolidated Interim Financial Statements of

# MCFARLANE LAKE MINING LIMITED (Formerly 1287401 B.C. Ltd.)

For the three and nine months ended May 31, 2023 and 2022

(Expressed in Canadian Dollars)
*(Unaudited)*

**Notice of No Auditors' Review of Condensed Consolidated Interim Financial Statements**

The accompanying unaudited condensed consolidated interim financial statements of McFarlane Lake Mining Limited have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

## MCFARLANE LAKE MINING LIMITED (Formerly 1287401 B.C. Ltd.)
Condensed Consolidated Interim Statements of Financial Position
As at May 31, 2023 and August 31, 2022
(Unaudited)

| | Note | May 31 2023 | August 31, 2022 |
|---|---|---|---|
| | | $ | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | **780,693** | 1,595,037 |
| Restricted cash equivalent | | **25,000** | 25,000 |
| Prepaid expenses | | **33,414** | 19,131 |
| Other receivable | | **70,132** | 297,201 |
| **Total assets** | | **909,239** | 1,936,369 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | **1,105,530** | 913,335 |
| Notes payable | 7 | **195,000** | 195,000 |
| Flow-through share premium liability | 8 | **48,400** | 566,460 |
| **Total liabilities** | | **1,348,930** | 1,674,795 |
| **Shareholders' equity** | | | |
| Share capital | 9(a) | **10,298,888** | 8,481,873 |
| Warrants | 9(d) | **1,884,897** | 1,234,175 |
| Contributed surplus | 9(b)(c) | **1,967,849** | 932,849 |
| Deficit | | **(14,591,325)** | (10,387,323) |
| **Total shareholders' equity** | | **(439,691)** | 261,574 |
| **Total liabilities and shareholders' equity** | | **909,239** | 1,936,369 |

| | |
|---|---|
| **Nature of operations** | 1 |
| **Going concern** | 2 |
| **Commitments and contingencies** | 6, 14 |

See accompanying notes to condensed consolidated interim financial statements.

On behalf of the Board:

(Signed) "*Mark Trevisiol*" Director    (Signed) "*Charles Lilly*" Director

## MCFARLANE LAKE MINING LIMITED (Formerly 1287401 B.C. Ltd.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended May 31, 2023 and 2022
(Unaudited)

| | | Three months ended May 31, | | Nine months ended May 31, | |
|---|---|---|---|---|---|
| | **Note** | **2023** | 2022 | **2023** | 2022 |
| | | **$** | $ | **$** | $ |
| **Operating expenses** | | | | | |
| Professional fees | 11 | **55,607** | 77,046 | **346,820** | 355,926 |
| Advertising and promotion | | **37,576** | 2,500 | **100,326** | 17,450 |
| Consulting fees | 11 | **126,000** | 142,319 | **378,000** | 364,849 |
| Director fees | 11 | **4,500** | - | **20,250** | - |
| Office and general | | **40,541** | 38,521 | **90,947** | 47,280 |
| Interest and bank charges | | **6,733** | 6,686 | **18,249** | 18,901 |
| Exploration and evaluation expenditures | 6, 11 | **165,583** | 487,886 | **2,416,215** | 2,634,883 |
| Investor relations and business development | | **97,500** | 147,683 | **266,600** | 186,545 |
| Regulatory and transfer agent fees | | **47,387** | 64,201 | **87,832** | 183,470 |
| RTO transaction cost | 5 | **-** | - | **-** | 1,194,828 |
| Share-based compensation | 9(b)(c), 11 | **707,250** | - | **1,035,000** | 585,000 |
| **Total operating expenses** | | **1,288,677** | 966,842 | **4,760,239** | 5,589,132 |
| **Loss before non-operating items** | | **(1,288,677)** | (966,842) | **(4,760,239)** | (5,589,132) |
| **Other income** | | | | | |
| Flow-through share premium recovery | 8 | **13,600** | 152,464 | **580,060** | 343,401 |
| **Total other items** | | **13,600** | 152,464 | **580,060** | 343,401 |
| **Loss before income taxes** | | **(1,275,077)** | (814,378) | **(4,180,179)** | (5,245,731) |
| Income tax expense | | **23,823** | - | **23,823** | - |
| **Net loss and comprehensive loss for the period** | | **(1,298,900)** | (814,378) | **(4,204,002)** | (5,245,731) |
| **Basic and diluted net loss and comprehensive loss per common share** | 10 | **(0.012)** | (0.01) | **(0.041)** | (0.073) |
| **Weighted average number of common shares outstanding - Basic and diluted** | | **108,217,105** | 80,647,813 | **102,495,762** | 71,978,830 |

See accompanying notes to condensed consolidated interim financial statements.

# MCFARLANE LAKE MINING LIMITED (Formerly 1287401 B.C. Ltd.)

Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
For the three and nine months ended May 31, 2023 and 2022
(Unaudited)

| | Note | Common Share Capital | | Warrants | Contributed surplus | Accumulated Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| | | # | $ | $ | $ | $ | $ |
| **Balance, August 31, 2021** | | **59,075,000** | **2,136,510** | **-** | **531,968** | **(1,230,433)** | **1,438,045** |
| Shares and warrants issued in private placements | | 7,955,000 | 2,187,625 | 994,375 | - | - | 3,182,000 |
| Flow through shares issued in private placements | | 7,717,500 | 3,087,000 | - | - | - | 3,087,000 |
| Issuance costs | | - | (1,251,247) | - | - | - | (1,251,247) |
| Premium on flow-through shares | | - | (964,687) | - | - | - | (964,687) |
| Issuance of Broker Warrants | | - | - | - | 308,793 | - | 308,793 |
| Issuance of Advisory Warrants | | - | - | - | 97,125 | - | 97,125 |
| Shares and warrants issued for services (corporate finance fee) | | 391,813 | 107,748 | 48,977 | - | - | 156,725 |
| Shares and warrants issued in private placements | | 65,500 | 18,013 | 8,187 | - | - | 26,200 |
| Shares issued for services (finder's fee) | | 443,000 | 121,825 | - | - | - | 121,825 |
| Shares issued to parent company shareholders | | 3,750,000 | 1,031,250 | - | - | - | 1,031,250 |
| Shares issued for exploration and evaluation expenditures | | 1,250,000 | 500,000 | - | - | - | 500,000 |
| Share based compensation | | - | - | - | 585,000 | - | 585,000 |
| Net loss | | - | - | - | - | (5,245,731) | (5,245,731) |
| **Balance, May 31, 2022** | | **80,647,813** | **6,974,037** | **1,051,539** | **1,522,886** | **(6,476,164)** | **3,072,298** |
| **Balance, August 31, 2022** | | **87,647,813** | **8,481,873** | **1,234,175** | **932,849** | **(10,387,323)** | **261,574** |
| Shares and warrants issued in private placements | 9(a)(ii) | 12,924,000 | 904,680 | 387,720 | - | - | 1,292,400 |
| Shares and warrants issued in private placements | 9(a)(iii) | 2,200,032 | 231,004 | 99,001 | - | - | 330,005 |
| Shares and warrants issued in private placements | 9(a)(iv) | 7,285,000 | 509,950 | 218,550 | - | - | 728,500 |
| Flow through shares issued in private placements | 9(a)(iv) | 3,100,000 | 372,000 | - | - | - | 372,000 |
| Premium on flow-through shares | 9(a)(iv) | | (62,000) | - | - | - | (62,000) |
| Share issuance costs | 9(a)(ii)(iii)(iv) | - | (140,509) | (55,359) | - | - | (195,868) |
| Shares and warrants issued for services (finder's fee) | 9(a)(ii) | 27,000 | 1,890 | 810 | - | - | 2,700 |
| Share based compensation | 9(b) | - | - | - | 370,000 | - | 370,000 |
| RSUs issued | 9(c) | - | - | - | 665,000 | - | 665,000 |
| Net loss | | - | - | - | - | (4,204,002) | (4,204,002) |
| **Balance, May 31,2023** | | **113,183,845** | **10,298,888** | **1,884,897** | **1,967,849** | **(14,591,325)** | **(439,691)** |

See accompanying notes to condensed consolidated interim financial statements.

**MCFARLANE LAKE MINING LIMITED (Formerly 1287401 B.C. Ltd.)**
Condensed Consolidated Interim Statement of Cash Flows
For the nine months ended May 31, 2023 and 2022
(Unaudited)

| | Note | Nine months ended May 31, 2023 | 2022 |
|---|---|---|---|
| | | $ | $ |
| **Operating activities** | | | |
| Net loss | | **(4,204,002)** | (5,245,731) |
| Items not affecting cash: | | | |
| Common shares issued for services | 9(a) | **-** | 121,825 |
| Common shares issued for exploration and evaluation expenditures | 6, 9(a) | **-** | 500,000 |
| Share-based compensation | 9(b) | **1,035,000** | 585,000 |
| Flow-through share premium recovery | 8 | **(580,060)** | (343,401) |
| Non-cash listing expenses | 5 | **-** | 1,194,828 |
| Change in non-cash working capital items: | | | |
| Prepaid expenses | | **(14,283)** | (32,377) |
| Other receivable | | **227,069** | (194,270) |
| Accounts payable and accrued liabilities | | **192,195** | 64,041 |
| **Net cash used in operating activities** | | **(3,344,081)** | (3,350,085) |
| **Investing activities** | | | |
| Cash obtained from reverse takeover transaction | 5 | **-** | 34,260 |
| **Net cash provided by investing activities** | | **-** | 34,260 |
| **Financing activities** | | | |
| Proceeds on issuance of common shares | 7 | **-** | 3,208,200 |
| Proceeds of private placement - units | 9(a) | **2,350,905** | |
| Proceeds of private placement - flow-through shares | 9(a) | **372,000** | 3,087,000 |
| Payment of share issuance costs related to private placement | 9(a) | **(193,168)** | (688,604) |
| Advance from related parties | 11 | **-** | (24,291) |
| **Net cash provided by financing activities** | | **2,529,737** | 5,582,305 |
| **(Decrease) increase in cash** | | **(814,344)** | 2,266,480 |
| Balance, beginning of period | | **1,595,037** | 1,820,454 |
| **Balance, end of period** | | **780,693** | 4,086,934 |
| **Supplemental cash flow information** | | | |
| Non-cash share issue costs | | 2,700 | 562,643 |

See accompanying notes to condensed consolidated interim financial statements.

## 1. Nature of Operations

McFarlane Lake Mining Limited (the "Company"), formerly 1287401 B.C. Ltd ("1287401"), was incorporated under the Business Corporations Act (British Columbia) on February 03, 2021 and was continued into the Province of Ontario on January 26, 2022. The Company is engaged in the acquisition and exploration of mineral resource properties in Canada.

On January 14, 2022, 1287401 completed a reverse takeover transaction (the "RTO" or "Transaction") with McFarlane Lake Mining Incorporated ("McFarlane"), a privately held mineral exploration company incorporated under the laws of Province of Ontario on August 21, 2020, by way of "three-cornered" amalgamation (Note 5). The issuer resulting from the Transaction (the "Resulting Issuer") carries on the business of McFarlane under the name "McFarlane Lake Mining Limited".

The Transaction constituted a reverse acquisition in accordance with IFRS as the shareholders of McFarlane took control of 1287401. As McFarlane was deemed to be the acquirer for accounting purposes, the resulting condensed consolidated interim statements of financial position were presented as a continuance of McFarlane's operations at their historical carrying values, and the comparative figures presented are those of McFarlane. The results of operations, the cash flows, and the assets and liabilities of 1287401 have been included in these condensed consolidated interim financial statements since January 14, 2022.

The Company's shares are listed on the Cboe Canada Exchange (formerly the NEO Exchange) under the symbol "MLM". The Company's shares are also listed on the US OTC Exchange under the symbol "MLMLF". The Company's corporate office is at 15 Kincora Court, Sudbury, Ontario P3E 2B9, Canada.

## 2. Going Concern

These condensed consolidated interim financial statements have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they become due. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the planned exploration programs will ultimately result in profitable mining operations.

Although the Company has taken steps to verify title to the properties on which it will conduct exploration and in which it has an interest in accordance with industry standards to the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing, requirements, or regulations, unregistered prior agreements, unregistered claims, first nations' claims and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contacts and political uncertainties.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern. Accordingly, they do not give effect to the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its obligations and commitments in other than the normal course of business. The Company has incurred losses for the three and nine months ended May 31, 2023 and as of May 31, 2023, has a deficit.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to

## 2. Going Concern (continued)

raise additional financing as necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The Company has raised capital for working capital and the planned exploration and development of its mineral properties. The Company's continuation as a going concern is dependent upon successful results from its planned exploration and evaluation activities, its ability to attain profitable operations to generate funds and its ability to raise equity capital or borrowings sufficient to meet its current and future obligations for the next 12 months. Although the Company has been successful in raising funds to date there is no assurance that it will be able to do so in the future. These matters represent material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. On April 13, 2023, the Company closed a non-brokered private placement offering for aggregate gross proceeds of $1,100,500 to meet part of its financial obligations for the next 12 months (see also note 9).

The global outbreak of COVID-19 has had a significant impact on businesses through restrictions put in place by the federal and provincial governments regarding travel, gatherings, and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to the Company and the related financial impact cannot be reasonably estimated at the present time. At this time, the Company is yet uncertain the extent to which COVID-19 will impact its operations. However, we anticipate this outbreak may cause supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition.

## 3. Basis of Preparation

### (a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accountant Standard 34, ("IAS 34"), *Interim Financial Reporting*. These interim financial statements do not conform in all respects to the requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") for annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's August 31, 2022 financial statements.

These unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors of the Company on July 13, 2023.

### (b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial assets which are carried at fair value. In addition, these condensed consolidated interim financials have been prepared using the accrual basis of accounting, except for cash flow information.

### (c) Principles of consolidation

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and the entity it controls.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, are exposed to, or

## 3. Basis of Preparation (continued)

have rights to, variable returns from the Company's involvement with the entity and have the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. Profit or loss of subsidiaries acquired during the year are recognized from the date of acquisition or effective date of disposal as applicable. All intercompany transactions and balances have been eliminated.

As of May 31, 2023, the Company has one wholly-owned subsidiary: McFarlane Lake Mining Incorporated.

**(d) Functional and presentation currency:**

These financial statements are presented in Canadian dollars ("CAD"), which is also the functional currency of the Company and its subsidiary.

## 4. Summary of Significant Accounting Policies

**Significant accounting judgments, estimates and assumptions**

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These condensed consolidated interim financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgements in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in these condensed consolidated interim financial statements are discussed below:

a) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company titles. Such properties may be subject to prior agreement or transfers and titles may be affected by undetected defects.

b) Valuation of share-based payments

The Company values share-based payments granted using market-based generally accepted valuation techniques at the date of grant. Assumptions made for the valuation include volatility of the share price, risk free interest rate and the life of the stock options granted. Such assumptions are highly subjective and changes in these assumptions materially affect the calculated fair value. Assumptions and models used for estimating fair value for share-based payment transactions is disclosed in Note 9. The expected volatility assumptions for MLM option grants are based on comparable companies.

c) Valuation of deferred income tax assets

Each year, the Company evaluates the likelihood of whether some portion of deferred tax assets,

**4. Summary of Significant Accounting Policies (continued)**

if any, will not be realized. This evaluation is based on historic and future expected levels of taxable income, the timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, tax planning initiative, and deferred tax rates.

d) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

e) Existence of decommissioning and restoration costs and timing of expenditure

Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations with regulatory authorities.

f) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Judgment is used in determining provisions for taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations, which may not coincide with the interpretation of the tax authorities. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. All tax related filings are subject to government audit and potential reassessment subsequent to the consolidated financial statement reporting period. In case the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

g) Provisions and contingencies

Provisions and contingencies arising in the course of operations, including provisions for income or other tax matters are subject to estimation uncertainty. Management uses all information available in assessing the recognition, measurement and disclosure of matters that may give rise to provisions or contingencies. The actual outcome of various provisional and contingent matters may vary and may cause significant adjustments to the Company's assets when the amounts are determined or additional information is required.

h) Flow-through shares

The Company may, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company's common shares is allocated to premium on flow-through shares liability. The reduction to the premium liability in the period of renunciation is recognized through operations.

## 4. Summary of Significant Accounting Policies (continued)

### Use of estimates

The estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows. Significant estimates include the valuation of options using the Black-Scholes pricing model.

### Significant accounting policies - other

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

### New standards adopted in the year

During the nine months ended May 31, 2023, the Company adopted the following amendment. This change did not have any material impact on the Company's financial statements.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract.

### New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after March 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for annual periods beginning on January 1, 2023. Earlier adoption is permitted. The Corporation will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

## 4. Summary of Significant Accounting Policies (continued)

IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) was amended in January 2020 to introduce a definition of “accounting estimates” and to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on January 1, 2023. Earlier adoption is permitted. The Corporation will adopt these amendments as of their effective date, and is currently assessing the impacts on adoption.

## 5. Reverse Takeover Transaction

On January 14, 2022, 1287401 completed the Transaction with McFarlane. The Transaction was completed by way of a three-cornered amalgamation pursuant to the provisions of the Business Corporations Act (Ontario), whereby 1000034047 Ontario Inc. (“Subco”), a wholly-owned subsidiary of 1287401 incorporated under the laws of the Province of Ontario for the purpose of completing the Transaction, amalgamated with McFarlane.

Prior to the completion of the Transaction, 1287401 completed a share split of its issued and outstanding shares on the basis of 1.20967742 post-split share for each 1 pre-split share, and changed the name its name from “1287401 B.C. Ltd” to “McFarlane Lake Mining Limited”.

Pursuant to the Transaction, the outstanding common shares and warrants of McFarlane and Subco were exchanged for common shares and warrants, respectively, of 1287401 on the basis of one 1287401 security for every one McFarlane and Subco security (the “Exchange Ratio”).

## 6. Exploration and Evaluation Properties

### West Hawk Lake, High Lake and McMillan Properties

On February 23, 2021, the Company (the "Optionee") executed an option agreement with Canadian Star Minerals Ltd. (the "Optioner") whereby the Company could acquire up to 100% interest in certain properties. The agreement was subsequently amended on September 7, 2021. The terms of the option agreement are as follows:

- The Optioner granted the Optionee an exclusive option to purchase the properties for an option term expiring at the end of the day on April 30, 2022. As consideration for granting of the option to purchase, the Company is obligated to pay $250,000 as consideration for the first 6 months of the option and $50,000 per month to the Optioner beginning the seventh month from the date of the option agreement until the option is exercised and the transaction is completed.
- The purchase price to be paid by the Optionee if the option is exercised is $5,500,000 which shall be satisfied as follows:
  - $2,750,000 of cash consideration;
  - $2,750,000 in common shares of the Company reduced by the cumulative amount paid for the option to a maxmium of $550,000;
  - 7,000,000 outstanding common shares of the Company held by certain officers and directors of the Company shall be transferred to the Optioner upon closing of the transaction.

## 6. Exploration and Evaluation Properties (continued)

Upon exercise of the option, the property is subject to a 2% net smelter return royalty ("NSR") held by QMX Gold Corporation for the McMillian mine claims and a 2% NSR to Ceylnn Alcock with the right to purchase 1% for a purchase price of $1,250,000 for the High Lake claims. Ceylnn Alcock is also entitled to a $10,000 payment every June 15 until such time as commercial production has commenced on the mining claims or the optionee offers to return the mining claims.

On December 30, 2021, the Company executed a purchase agreement with the Optionor to acquire 100% interest in certain mining claims. The purchase price paid by the Company upon exercise of the option was satisfied as follows:

- $2,750,000 of cash consideration;
- 5,625,000 of common shares issued by the Company with a deemed value of $2,250,000 which represents $2,750,000 less the cumulative amount paid by the Company in option payments of $550,000; and
- transferred to the Optioner 7,000,000 issued and outstanding shares in the capital of the Company held by certain officers and directors of the Company upon closing of the transaction. The shares were valued at $595,000 based on the quoted market price of $0.085 per share. The contributed amount was charged directly to deficit.

Upon execution of the purchase agreement, the Company acquired beneficial interest in the High Lake, West Hawk Lake and McMillan properties from the Optionor. The legal transfer of the title for any leases required Provincial approval. As a result, legal title was transferred for the High Lake and McMillan properties as of February 11, 2022 and February 7, 2022 respectively.

**Mongowin Property**

On May 21, 2021, the Company signed a binding letter of intent with Transition Metals Corp. ("Mongowin Optionor") to acquire a 100% interest in certain mining leases (the "Property"), in Northeastern Ontario in the township of Mongowin. The letter of intent grants the Company a period of exclusivity for 5 months (subject to a 3-month extension) to enter into a definitive agreement to purchase the Property subject to the following terms and conditions:

- The Company becomes a publicly traded entity on a Canadian Exchange;
- The Company paid a non-refundable cash payment of $15,000 to the Mongowin Optionor for the period of exclusivity upon signing;
- The Company can extend the period of exclusivity for an additional 3 months by making non-refundable cash payments to the Mongowin Optionor of $15,000 per month;
- The Company provides the Mongowin Optionor with an $85,000 cash payment upon signing;
- The Company issues $500,000 worth of shares of the publicly traded entity;
- Upon earning a 100% interest in the Property, the Company shall grant the Mongowin Optionor a 1.5% NSR;
- A portion of the property is subject to an additional existing 1% NSR of which 0.5% may be purchased for $600,000;
- Commencing the 5th year following the execution of a definitive agreement, the Company will pay the Mongowin Optionor advanced royalty payments of $25,000 per year (in cash or stock) to be deducted from future royalty payments following commercial production to a maximum total of $250,000. Any exploration expenditures spent on the Property will offset the payments on a dollar for dollar basis. If the Company does not pay the advanced royalty

**6. Exploration and Evaluation Properties (continued)**

payments or spend the required exploration expenditure, the Mongowin Optionor may choose to purchase the property for $1;

- The Vendor is entitled to a one-time milestone payment of $2,500,000 at any time commercial production is achieved.

On October 22, 2021 the Company paid an additional $15,000 to extend the period of exclusivity as per the agreement.

On February 1, 2022, the Company executed a purchase agreement with the Mongowin Optionor to acquire 100% interest in certain mining claims and patented claims located in Northeastern Ontario in Mongowin Township. The definitive agreement to purchase the Property was subject to the following terms and conditions:

a) $15,000 cash payment for a 5-month period exclusivity to transact;
b) $45,000 to affect a 3-month extension of the period of exclusivity;
c) $585,000, of which $85,000 was paid in cash and $500,000 was settled by the issuance of common shares of the Company;
d) The Company granted the Mongowin Optionor a 1.5% Net Smelter Return Royalty;
e) A portion of the property is subject to an additional existing 1% NSR of which 0.5% may be purchased for $600,000;
f) Beginning on the fifth anniversary of the Purchase Agreement, the Company will pay the Mongowin Optionor advanced royalty payments of $25,000 per year (in cash or common shares) to a maximum total of $250,000 (in cash or shares). Any exploration expenditures incurred on the Mongowin Property will offset this payment on a dollar for dollar basis. If the Company does not pay the advanced royalty payments or spend the required exploration expenditure, the Mongowin Optionor may choose to purchase the property for $1;
g) The Mongowin Optionor is entitled to a one-time milestone payment of $2,500,000 upon the commercial exploitation of mineral products on the Mongowin Property.

The 122 Mongowin claims were transferred to the Company on February 4, 2022 and the 3 patented claims were transferred on May 30, 2022.

**Michaud/Munro Properties**

The Company signed a binding letter of intent dated June 28, 2021, with 1929941 Ontario Limited (the “Michaud/Munro Optionor”) to acquire a 100% interest in certain mining leases, (the “Property”) in Northeastern Ontario located in the townships of Michaud and Munro located in the Larder Lake Mining District. The letter of intent grants the Company a period of exclusivity until October 1, 2021 (subject to a 3-month extension) to enter into a definitive agreement to purchase the Property subject to the following terms and conditions:

- The Company becomes a publicly traded entity on a Canadian Exchange;
- The Company paid a non-refundable cash payment of $20,000 to the Michaud/Munro Optionor for the period of exclusivity upon signing;
- The Company can extend the period of exclusivity for an additional 3 months by making a non- refundable cash payment of $15,000 on or before October 1, 2021;
- The Company provides the Michaud/Munro Optionor with an $30,000 cash payment upon signing;
- The Company issues $550,000 worth of shares of the publicly traded entity;
- 1.5% Net Smelter Return Royalty (“NSR”) of which 1% can be purchased for $1.5 million.

## 6. Exploration and Evaluation Properties (continued)

On October 22, 2021 the Michaud/Munro Optionor agreed to extend the period of exclusivity and the Company paid an additional $15,000 on this date.

The Company finalized a purchase agreement on March 10, 2022 with the Michaud/Munro Optionor in respect of the acquisition by the Company of a 100% interest in 17 mining leases located in Northeastern Ontario in the townships of Michaud and Munro in the Larder Lake Mining District near the town of Matheson, Ontario. The definitive agreement to purchase the Michaud/Munro Properties is subject to the following terms and conditions:

a) The Company paid a non-refundable cash payment of $35,000 to the Michaud/Munro Optionor for a period of exclusivity prior to the signing of the purchase agreement;
b) The Company provided the Michaud/Munro Optionor with a $30,000 cash payment upon the transfer of the mining leases;
c) The Company issued $550,000 worth of shares upon the transfer of the mining leases ;
d) 1.5% Net Smelter Return Royalty of which 1% can be purchased for $1.5 million.

The CEO of the Company has an equity interest in the Michaud/Munro Optionor company.

## 7. Notes Payable

During fiscal 2021, McFarlane was advanced funds totalling $195,000 from companies controlled by certain directors of the Company. These promissory notes payable are unsecured, bear interest at 12% per annum and are due on demand. Included in accounts payable and accrued liabilities as of May 31, 2023 is accrued interest owed on these notes payable in the amount of $51,393 (August 31, 2022 - $33,891).

## 8. Flow-through Share Premium Liability

The flow-through share premium liability balance as at May 31, 2023 is $48,400 (August 31, 2022 – $566,460). The flow-through liability of $62,000 was initially recorded in connection with the April 14, 2023 private placement offering of 3,100,000 FT Shares for gross proceeds of $372,000.

As per Company policy, the amount recorded as other income in the condensed consolidated interim statement of loss and comprehensive loss during the three and nine months ended May 31, 2023 was $13,600 and $580,060, respectively.

## 9. Share Capital

### (a) Share capital

Authorized:

i. The Company is authorized to issue an unlimited number of common shares with no par value.

## 9. Share Capital (continued)

Issued:

| | Note | # Shares* | Amount |
|---|---|---|---|
| **Balance, August 31, 2021** | | **59,075,000** | **2,136,510** |
| Shares and warrants issued in private placements | | 7,955,000 | 2,187,625 |
| Share issuance costs | | 391,813 | (1,060,038) |
| Flow through shares issued in private placements | | 7,717,500 | 3,087,000 |
| Premium on flow-through shares | | - | (964,687) |
| Shares and warrants issued in private placements | | 65,500 | 18,013 |
| Shares issued for services (finder's fee) | | 443,000 | 121,825 |
| Shares issued to parent company shareholders | | 3,750,000 | 1,031,250 |
| Shares issued for exploration and evaluation expenditures | | 8,250,000 | 1,924,375 |
| **Balance, August 31, 2022** | | **87,647,813** | **$ 8,481,873** |
| Shares and warrants issued in private placements | 9(a)(ii) | 12,924,000 | 904,680 |
| Shares and warrants issued in private placements | 9(a)(iii) | 2,200,032 | 231,004 |
| Shares and warrants issued in private placements | 9(a)(iv) | 7,285,000 | 509,950 |
| Flow through shares issued in private placements | 9(a)(iv) | 3,100,000 | 372,000 |
| Premium on flow-through shares | 9(a)(iv) | - | (62,000) |
| Shares issued for services (finder's fee) | 9(a)(ii)(iv) | 27,000 | 1,890 |
| Share issuance costs | 9(a)(ii) & (iii)(iv) | - | (140,509) |
| **Balance, May 31, 2023** | | **113,183,845** | **$ 10,298,888** |

** All figures reflect the Exchange Ratio*

ii. On September 19, 2022, the Company closed a non-brokered private placement offering of securities (the "Offering") for aggregate gross proceeds of $1,292,400. Under the Offering, the Company issued 12,924,000 units ("Units") at a price of $0.10 per Unit.

Each Unit consists of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable by the holder to acquire one Common Share at a price of $0.20 per Common Share until September 16, 2025.

The allocation of the Units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

| | | | |
|---|---|---|---|
| Share price | $0.07 | Risk free interest rate | 3.71% |
| Expected life | 3.0 years | Volatility | 210.47% |
| Dividend yield | 0.00% | | |

The relative fair value of the shares was determined to be $904,680 and the relative fair value of the warrant was determined to be $387,720.

As part of the private placement, the Company incurred share issuance costs of $97,841 made up of the following:

a) In connection with the Offering, the Company paid finders' fees of $9,600 in cash and issued 27,000 Units to certain finders. The fair value of the units issued was determined to be $2,700 based on the fair value of $0.10 per unit. The fair value of the warrants was determined to be $810 using the Black-Scholes Model based on the following assumptions:

**9. Share Capital (continued)**

| | | | |
|---|---|---|---|
| Share price | $0.07 | Risk free interest rate | 3.71% |
| Expected life | 3.0 years | Volatility | 210.47% |
| Dividend yield | 0.00% | | |

b) In connection of the Offering, the Company incurred $85,541 in legal and accounting expenses.

iii. On February 17, 2023, the Company closed a non-brokered private placement offering of units of the Company for aggregate gross proceeds of $330,005. Under the private placement, the Company issued 2,200,032 units at a price of $0.15 per unit.

Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable by the holder to acquire one common share of the Company at a price of $0.25 per common share until February 17, 2026.

The allocation of the Units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

| | | | |
|---|---|---|---|
| Share price | $0.105 | Risk free interest rate | 3.87% |
| Expected life | 3.0 years | Volatility | 202.54% |
| Dividend yield | 0.00% | | |

The relative fair value of the shares was determined to be $231,004 and the relative fair value of the warrant was determined to be $99,001.

In connection of the private placement, the Company incurred $64,495 in legal and accounting expenses.

iv. On April 13, 2023, the Company closed a non-brokered private placement offering for aggregate gross proceeds of $1,100,500. In connection with the offering, the Company issued 7,285,000 units at a price of $0.10 per unit and 3,100,000 flow-through shares at a price of $0.12 per FT share.

Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable by the holder to acquire one common share of the Company at a price of $0.20 per common share until April 13, 2026.

The allocation of the Units between share capital and warrants was done based on the relative fair value of each of the components. The fair value of the warrants was determined using the Black-Scholes Model using the following assumptions:

| | | | |
|---|---|---|---|
| Share price | $0.07 | Risk free interest rate | 3.59% |
| Expected life | 3.0 years | Volatility | 229.01% |
| Dividend yield | 0.00% | | |

The relative fair value of the shares was determined to be $509,950 and the relative fair value of the warrant was determined to be $218,500.

## 9. Share Capital (continued)

In connection with the Offering, the Company paid finders' fees of $19,410 in cash and incurred $14,122 in legal and accounting expenses.

The gross proceeds from FT Share portion of the offering were allocated to common shares and FT Share premium using the residual method, with proceeds being allocated to the common shares first based on the market value of the shares at the time of the issuance. The fair value of the shares was determined to be $310,000 and $62,000 was allocated as the value of the Flow-through share premium.

### (b) Stock options

The Company has a stock option plan (the "Plan") for its directors, officers, consultants, and key employees under which the Company may grant options to acquire a maximum number of 15% of the total issued and outstanding common shares of the Company. These options are non-transferable and are valid for a maximum of 5 years from the issue date. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The exercise price of the options is fixed by the Board of Directors at the time of the grant at a minimum of the market price of the common shares, subject to regulatory requirements. Expected volatility has been determined using the share price of comparable companies for the period equivalent to the life of the options prior to grant date.

On October 14, 2022, the Company granted of a total of 2,325,000 stock options to directors, executive officers, management and consultants, exercisable at $0.12 per share and expiring on October 14, 2027. All of these options were issued to related parties. The options have a five-year term and vested immediately. The stock options fair value of $279,000 was determined using a Black-Scholes model based on the following assumptions: expected life of 5 years, expected volatility of 195.23%, expected dividend yield of 0% and a risk-free interest rate of 3.64%.

On January 13, 2023, the Company granted of a total of 325,000 stock options to a new director, exercisable at $0.16 per share and expiring on January 13, 2028. All of these options were issued to a related party. The options have a five-year term and vested immediately. The stock options fair value of $52,000 was determined using a Black-Scholes model based on the following assumptions: expected life of 5 years, expected volatility of 193.77%, expected dividend yield of 0% and a risk-free interest rate of 3.00%.

On May 8, 2023, the Company granted of a total of 325,000 stock options to a director, exercisable at $0.12 per share and expiring on May 8, 2028. All of these options were issued to a related party. The options have a five-year term and vested immediately. The stock options fair value of $39,000 was determined using a Black-Scholes model based on the following assumptions: expected life of 5 years, expected volatility of 216.80%, expected dividend yield of 0% and a risk-free interest rate of 3.08%.

## 9. Share Capital (continued)

At May 31, 2023, the following options were outstanding and available to be exercised:

| Grant Date | Expiration | Number of Stock Options | Exercise Price | | Remaining Life (in years) |
|---|---|---|---|---|---|
| May 31, 2021 | May 31, 2026 | 5,500,000 | $ | 0.10 | 3.00 |
| January 25, 2022 | January 25, 2027 | 1,500,000 | | 0.40 | 3.66 |
| October 14, 2022 | October 14, 2027 | 2,325,000 | | 0.12 | 4.38 |
| January 13, 2023 | January 13, 2028 | 325,000 | | 0.16 | 4.62 |
| May 8, 2023 | May 8, 2028 | 325,000 | | 0.12 | 4.94 |
| | | 9,975,000 | $ | 0.15 | 3.54 |

### (c) Restricted share units

On March 27, 2023, the Company granted of an aggregate of 7,000,000 restricted share units ("RSUs") to two directors of the Company which vest immediately. Each vested RSU entitles the holder to receive one Common Share.

The fair value of the RSUs were determined to be $665,000 based on the market value of the shares on the date of the grant.

As at May 31, 2023 the following RSUs were outstanding and exercisable:

| Grant Date | Number of RSUs | Grant date fair value | |
|---|---|---|---|
| March 27, 2023 | 7,000,000 | $ | 0.095 |

### (d) Warrants

As at May 31, 2023 the following warrants were outstanding and exercisable:

| Grant Date | Expiry Date | Number of warrants Outstanding | Exercise Price | | Remaining Life (in years) |
|---|---|---|---|---|---|
| December 9, 2021 | December 9, 2024 | 4,206,156 | $ | 0.60 | 1.53 |
| December 9, 2021 | December 9, 2024 | 1,097,075 | | 0.40 | 1.53 |
| September 16, 2022 | September 16, 2025 | 6,475,500 | | 0.20 | 2.30 |
| February 17, 2023 | February 17, 2026 | 1,100,016 | | 0.25 | 2.72 |
| April 13, 2023 | April 13, 2026 | 3,642,500 | | 0.20 | 2.87 |
| | | 16,521,247 | $ | 0.32 | 2.21 |

## 10. Loss per Share

For the three and nine months ended May 31, 2023, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of $1,298,900 and $4,204,002 (2022 – $814,378 and $5,245,731) and the weighted average number of common shares outstanding of 108,217,105 and 102,495,762, respectively (2022 – 80,647,813 and 71,978,830).

## 11. Related Party Transactions and Balances

The following expenses were incurred with key management personnel of the Company. Key management personnel are persons responsible for planning, directing, and controlling the activities of the Company including any directors and officers of the Company.

The remuneration of directors and key management of the Company for the period ended May 31, 2023 and 2022 was as follows:

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Consulting fees | 423,000 | 361,250 |
| Director fees | 20,250 | - |
| Share based payments | 1,035,000 | 585,000 |

Included in accounts payable and accrued liabilities as at May 31, 2023 is $93,509 owing to officers and management of the Company (August 31, 2022 - $55,874). The amounts are unsecured, non-interest bearing and due on demand.

Also included in accounts payable and accrued liabilities as at May 31, 2023 is accrued interest owing on the notes payable due to directors of the Company in the amount of $51,393 (August 31, 2022 - $33,891).

During the period ended May 31, 2023, the Company incurred professional fees to a law firm and its associated companies totalling $406,325 (2022 - $280,685). One of the directors of the Company is a partner in this law firm. Included in accounts payable and accrued liabilities as at May 31, 2023 is $485,337 owing to this law firm and its associated companies (August 31, 2022 - $571,125). The amounts are unsecured, non-interest bearing and due on demand.

See also Notes 6, 7, and 9.

## 12. Capital Management

The Company defines capital as consisting of common share capital, options reserve and deficit.

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests and to maintain a flexible capital structure which will optimize the costs of capital at an acceptable risk.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk.

The Company is not subject to any externally imposed capital requirements.

## 13. Financial Risks and Concentration of Risk

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or an equity instrument of another entity.

The carrying value of the Company's financial instruments approximates fair value due to the short-term or demand nature of these financial instruments.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's credit risk relates to the due from related parties and demand advances balances. The Company mitigates its exposure by monitoring the counterparty's ability to repay.

### Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company prepares annual capital expenditure budgets, which are monitored and updated as required. In addition, the Company requires authorization from the Board of Directors for expenditures on projects to assist with the management of capital.

As at May 31, 2023, the Company has working capital deficiency of $439,691 (August 31, 2022 – working capital of $261,574).

### Interest rate risk

The Company does not currently have any outstanding variable interest-bearing loans and, therefore, the Company is not exposed to interest rate risk through fluctuation in the prime interest rate.

## 14. Commitments and Contingencies

### Consulting Agreements

The Company entered into an eighteen-month consulting agreement with a mining consultant on December 30, 2021. The terms of the agreement initially included consulting fees of $10,000 per month. As of June 1, 2022 the mining consultant agreed to reduce the monthly consulting fee to $5,000 per month thereby extending the term of the consulting agreement.

The Company entered into consulting agreements on January 4, 2022 with its key management personnel (the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer) at combined consulting fees of $27,000 per month. These contracts require payment of approximately $1 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately $420,000 pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these condensed consolidated financial statements.

The Company entered into a one-year consulting agreement with its Vice President of Geology, (the 'Consultant") on June 14, 2021. The terms of the agreement included consulting fees of $15,000 per month. The Company has mutually agreed with the Consultant to extend the contract

## 14. Commitments and Contingencies (continued)

under the same terms and conditions on a month by month basis.

### Environmental Contingencies

The Company's exploration activities are subject to various federal, state, provincial, and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. See also Note 6 (exploration and evaluation properties).

### Flow-through Financings

The Company has entered into flow-through private placements ("FT Placements") to fund exploration activities. Canadian tax rules require the Company to spend flow-through funds on "Canadian exploration expenses" (as defined in the Income Tax Act (Canada)) by the end of the calendar year following the year in which they were raised. The Company indemnified the subscribers of flow-through shares from any tax consequences should the Company, notwithstanding its plans, fail to meet its commitments under the flow-through subscription agreements.

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.