KLONDIKE SILVER

**Our Vision: Silver/Zinc/Lead Production**

**TSX-V: KS   FSE: K1SN**

# Financial Statements

## For the Six Months Ended November 30, 2021 and 2020

## (Unaudited)

## (Expressed in Canadian Dollars)

# NOTICE

No auditor review of these

Unaudited Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Klondike Silver Corp. (“the Company”), for the six months ended November 30, 2021, have been prepared by management and have not been the subject of a review by the Company’s external independent auditors.

# KLONDIKE SILVER CORP.

## STATEMENTS OF FINANCIAL POSITION
**(Expressed In Canadian Dollars)**

| | | **November 30, 2021** | | May 31, 2021 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | **$** | **513,058** | $ | 1,800,959 |
| Receivables | | **24,805** | | 50,927 |
| Prepaid expenses | | **39,208** | | 12,531 |
| **Total Current Assets** | | **577,071** | | 1,864,417 |
| | | | | |
| **Prepaid Expenses – Long Term** | | **61,500** | | 83,279 |
| **Reclamation Bonds** (Note 4) | | **270,500** | | 270,500 |
| **Mill And Equipment** (Notes 5 and 13) | | **427,962** | | 438,576 |
| **Exploration And Evaluation Assets** (Note 6) | | **16,026,622** | | 14,899,153 |
| **Total Assets** | **$** | **17,363,655** | $ | 17,555,925 |
| | | | | |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable | **$** | **52,050** | $ | 149,222 |
| Accrued liabilities (Note 7) | | **781,600** | | 596,792 |
| Due to related parties (Note 9) | | **1,190** | | 1,190 |
| Mortgage payable (Note 13) | | **145,000** | | 145,000 |
| **Total Current Liabilities** | | **979,840** | | 892,204 |
| | | | | |
| **Convertible Debenture** (Notes 9 and 10) | | **1,156,784** | | 1,081,231 |
| **CEBA Loan** (Note 12) | | **40,000** | | 60,000 |
| **Restoration Provision** (Note 8) | | **378,571** | | 369,338 |
| **Total Liabilities** | | **2,555,195** | | 2,402,773 |
| | | | | |
| **EQUITY** | | | | |
| **Share Capital** (Note 14) | | **39,834,754** | | 39,743,554 |
| **Reserves** | | **5,020,173** | | 5,063,373 |
| **Equity portion of convertible debenture** (Note 10) | | **295,061** | | 295,061 |
| **Deficit** | | **(30,341,528)** | | (29,948,836) |
| **Total Equity** | | **14,808,460** | | 15,153,152 |
| **Total Liabilities And Equity** | **$** | **17,363,655** | $ | 17,555,925 |

**Nature of Operations and Going Concern** (Note 1)

These financial statements were approved for issue by the Board of Directors on January 28, 2022.

They are signed on the Company’s behalf by:

| | |
|---|---|
| ***“Thomas Kennedy”*** | ***“Glen Harder”*** |
| **Director** | **Director** |

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

# KLONDIKE SILVER CORP.

**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(Expressed In Canadian Dollars)**

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| | **November 30, 2021** | November 30, 2020 | **November 30, 2021** | November 30, 2020 |
| **Expenses** | | | | |
| Accretion | **$ 8,973** | $ 28,189 | **$ 17,911** | $ 56,046 |
| Amortization | **391** | 451 | **782** | 777 |
| Compensation and consulting (Note 9) | **76,827** | 108,922 | **149,146** | 199,485 |
| Interest and bank charges (Note 9) | **38,169** | 51,921 | **75,186** | 101,570 |
| Investor relations and promotion | **11,317** | 8,249 | **20,126** | 10,656 |
| Office, rent and miscellaneous (Note 9) | **26,743** | 26,056 | **50,668** | 48,700 |
| Professional fees (Note 9) | **23,942** | 17,132 | **34,631** | 20,238 |
| Regulatory and stock transfer fees | **11,945** | 23,961 | **13,910** | 29,464 |
| Utilities and communication | **14,595** | 13,539 | **30,332** | 22,375 |
| **Net Loss And Comprehensive Loss for the Period** | **$ (212,902)** | $ (278,420) | **$ (392,692)** | $ (489,311) |
| **Loss Per Share –** Basic and diluted | **$ (0.00)** | $ (0.00) | **$ (0.00)** | $ (0.00) |
| **Weighted Average Number Of Shares Outstanding** | | | | |
| Basic and diluted | **245,557,513** | 198,064,255 | **245,399,008** | 178,607,696 |

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

# KLONDIKE SILVER CORP.

## STATEMENTS OF CHANGES IN EQUITY
**(Expressed In Canadian Dollars)**

| | SHARE CAPITAL | | | | | | |
|---|---|---|---|---|---|---|---|
| | **NUMBER** | **AMOUNT** | **SHARE SUBSCRIPTIONS** | **RESERVES** | **EQUITY PORTION OF CONVERTIBLE DEBENTURE** | **DEFICIT** | **TOTAL** |
| Balance, May 31, 2020 | 158,734,035 | $ 34,435,335 | $ - | $ 3,883,853 | $ 567,840 | $ (27,750,855) | $ 11,136,173 |
| Issue of shares for private placement | 28,680,000 | 1,434,000 | - | - | - | - | 1,434,000 |
| Share issue costs - cash | - | (78,000) | - | - | | | (78,000) |
| Issue of shares for warrant exercise | 24,220,000 | 1,270,200 | - | (59,200) | | | 1,211,000 |
| Issue of shares for option exercise | 300,000 | 31,100 | - | (14,350) | - | - | 16,750 |
| Comprehensive loss for the period | - | - | - | - | - | (489,311) | (489,311) |
| Balance, November 30, 2020 | 211,934,035 | $ 37,092,635 | $ - | $ 3,810,303 | $ 567,840 | $ (28,240,166) | $ 13,230,612 |
| Balance, May 31, 2021 | 245,164,035 | $ 39,743,554 | $ - | $ 5,063,373 | $ 295,061 | $ (29,948,836) | $ 15,153,152 |
| Issue of shares for option exercise | 800,000 | 91,200 | - | (43,200) | - | - | 48,000 |
| Comprehensive loss for the period | - | - | - | - | - | (392,692) | (392,692) |
| **Balance, November 30, 2021** | **245,964,035** | **$ 39,834,754** | $ - | **$ 5,020,173** | **$ 295,061** | **$ (30,341,528)** | **$ 14,808,460** |

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

# KLONDIKE SILVER CORP.

**STATEMENTS OF CASH FLOWS**
**(Expressed In Canadian Dollars)**

| | Six Months Ended November 30, 2021 | November 30, 2020 |
|---|---|---|
| **Operating Activities** | | |
| Net loss for the period | **$ (392,692)** | $ (489,311) |
| Non-cash items: | | |
| Accretion and amortization | **18,692** | 56,823 |
| Accrued interest | **66,876** | 58,992 |
| Changes in non-cash operating assets and liabilities: | | |
| Receivables | **26,122** | (11,871) |
| Prepaid expenses | **(26,677)** | (84,819) |
| Accounts payable and accrued liabilities | **(650,734)** | (361,495) |
| **Cash Used In Operating Activities** | **(958,413)** | (796,645) |
| **Investing Activities** | | |
| Equipment | **(17,823)** | (54,723) |
| Exploration and evaluation assets, net of BCMETC | **(361,444)** | (90,695) |
| Prepaid exploration and evaluation costs | **21,779** | - |
| Reclamation bonds | **-** | (75,000) |
| **Cash Used In Investing Activities** | **(357,488)** | (220,418) |
| **Financing Activities** | | |
| Proceeds from share issuances, net of finders fees | **-** | 1,356,000 |
| Warrant exercise | **-** | 1,211,000 |
| Option exercise | **48,000** | 16,750 |
| Repayments to related parties | **-** | (18,099) |
| Loans | **(20,000)** | (127,693) |
| **Cash Provided By Financing Activities** | **28,000** | 2,437,958 |
| **Increase (Decrease) In Cash During The Period** | **(1,287,901)** | 1,420,895 |
| **Cash – Beginning Of Period** | **1,800,959** | 2,016 |
| **Cash – End Of Period** | **$ 513,058** | $ 1,422,911 |

| | | |
|---|---|---|
| **Supplementary Cash Flow Information:** | | |
| **Cash Paid During The Period For:** | | |
| Interest | $ 7,214 | $ 7,214 |
| **Non-cash Financing And Investing Activities:** | | |
| Exploration and evaluation costs included in accounts payable | $ 7,709 | $ 1,997 |
| Amortization capitalized to exploration and evaluation assets | $ 27,655 | $ 13,332 |

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

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Silver Corp. (the "Company") was incorporated on March 2, 2005 under the laws of the Province of British Columbia, Canada. The Company is a public company listed on the TSX Venture Exchange (the "TSX.V"), trading under the "KS" symbol. The address of the Company's corporate records office and principal place of business is Suite 804 – 750 West Pender Street, Vancouver, British Columbia V6C 2T7. The principal business of the Company is the exploration of mineral properties in Canada and it is considered to be an exploration company.

The Company incurred a net loss and comprehensive loss of $392,692 for the Period ended November 30, 2021 (November 30, 2020 - $489,311) and had a working capital (deficit) at November 30, 2021 of $(402,769) (May 31, 2021 - $972,213) and a deficit of $30,341,528 (May 31, 2021 - $29,948,836). These statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

The Company is in the process of acquiring, exploring and developing its exploration and evaluation assets and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. The operations of the Company have primarily been funded by the issuance of common shares and ancillary income. Continued operation of the Company is dependent on the Company's ability to complete equity financing or generate profitable operations in the future. Management's plan in this regard is to secure additional funds through future equity financings, which may not be available or may not be available on reasonable terms. These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the financial statements do not give effect to 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 liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the financial statements.

Since December 31, 2019, the outbreak of the novel strain of corona virus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments on the operations of the business.

### 2. BASIS OF PRESENTATION

a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**2. BASIS OF PRESENTATION** (Continued)

b) Basis of Measurement and Presentation

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

c) Foreign Currencies

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

d) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments and estimates 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 judgments and estimates. The financial statements include judgments and estimates, which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate occurs and may affect both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, relate to, but are not limited to, the following:

i) Determination of cash generating units

In performing impairment assessments of corporate assets, assets that cannot be assessed individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management is required to exercise judgment in identifying these cash generating units (“CGUs”).

**2. BASIS OF PRESENTATION** (Continued)

d) Critical Accounting Judgments and Estimates (Continued)

ii) Recoverability of asset carrying values

Management is required to assess impairment in respect of exploration and evaluation assets. Note 7 discloses the carrying value of these assets. The triggering events for the impairment of exploration and evaluation assets are defined in *IFRS 6 Exploration and Evaluation of Mineral Resources.*

Impairment of exploration and evaluation assets is assessed at the CGU level. The Company has used each of its mineral properties to establish its CGUs. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

The Company assesses its mill and equipment for possible impairment if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, or at least annually.

The assessment of any impairment of mill and equipment is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions affecting prices, timing of cash flows, future development costs, and the useful lives of assets and their related salvage values.

iii) Decommissioning liabilities

Provisions for decommissioning liabilities associated with the Company's operations are based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Amounts recorded for decommissioning liabilities require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third-party information and actual costs and cash outflows can differ from estimates due to changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions, and changes in clean up technology.

iv) Accrued liabilities

The Company has applied judgment in recognizing accrued liabilities, including judgment as to whether the Company has a present obligation (legal or constructive) as a result of a past event; whether it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and whether a reliable estimate can be made of the amount of the obligation.

v) Share based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation and other equity-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

**2. BASIS OF PRESENTATION** (Continued)

d) Critical Accounting Judgments and Estimates (Continued)

vi) Deferred income tax assets

The Company has applied judgment in the inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income.

vii) Convertible debenture

The convertible debentures are separated into their liability and equity components on the statements of financial position. The liability component is initially recognized at fair value, calculated at the present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue.

viii) Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Financial Instruments and Risk Management (Continued)

i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table shows the classification under IFRS 9:

| Financial assets/liabilities | Classification IFRS 9 |
|---|---|
| Cash | FVTPL |
| Reclamation bonds | FVTPL |
| Receivables | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties | Amortized cost |
| Loans | Amortized cost |
| Mortgage payable | Amortized cost |
| Convertible debenture | Amortized cost |
| CEBA loan | Amortized cost |

ii) Measurement

*Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations in the period in which they arise.

a) Financial Instruments and Risk Management (Continued)

iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

iv) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of operations.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Liquidity risk is significant to the Company's statement of financial position. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal prices and the price of gold, silver, zinc and lead in particular. To mitigate this market risk, management of the Company actively pursues a diversification strategy with property holdings focusing on base metals as well as precious metals.

v) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in the statements of operations.

b) Cash and Cash Equivalents

Cash and cash equivalents consist of balances with banks, guaranteed investment certificates which are redeemable without penalty and investments in financial instruments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company places its cash and cash equivalents with institutions of high-credit worthiness. As at November 30, 2021 and 2020, the Company only held cash.

c) Mill and Equipment

The mill comprises a used ore processing plant, used buildings and related equipment stated at cost less accumulated amortization. Amortization on the mill and equipment is provided on the straight line method over their estimated useful lives ranging from three to twenty years.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

d) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activities and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss. Ancillary income received while the properties are in the exploration stage is credited to the carrying value of the mineral properties. Cost recoveries are credited against specific property costs, as received.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Facts and circumstances relating to impairment as defined in *IFRS 6 exploration and evaluation assets* are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Exploration and Evaluation Assets (Continued)

Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

e) Impairment of Non-financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financials assets, including the mill, equipment and exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the assets is written down accordingly.

Where it is possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized in other comprehensive income or loss.

f) Decommissioning Liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

g) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as accretion expense.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share Capital

i) Non-monetary consideration

Agent's warrants issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of common shares issued in private placements was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants is recorded to reserves.

ii) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant 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 issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-Back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**3. SIGNIFICANT ACCOUNTING POLICIES** (Continued)

iii) Share-based payments

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

iv) Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

h) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Basic and diluted loss per share is equal as outstanding stock options and warrants were all anti-dilutive.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current fiscal year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each fiscal year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority.

j) Convertible Debenture

The Company classifies convertible debentures into debt and equity components based on the residual method. The liability component is calculated at the present value of the principal and interest, discounted at the estimated interest rate applicable to the non-convertible debenture at the time the debenture was issued. This portion of the convertible debenture is accreted over its term to the full principle value using the effective interest rate method. The equity element of the convertible debenture comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability component. Upon maturity, the equity component is reclassified to reserves.

k) Exploration Tax Credits

The Company recognizes mineral exploration tax credits against the exploration and evaluation assets when the amount to be received can be reasonably estimated and collection is reasonably assured.

### 4. RECLAMATION BONDS

The reclamation bonds at November 30, 2021 of $270,500 (May 31, 2021 - $270,500) are recorded at fair value and consist of deposits made by the Company for indemnification of site restoration costs for the Silvana Mine, Sandon Mill and exploration sites located in BC. Reclamation bonds in the amount of $100,000 are held in trust for the Company by a company controlled by a former director.

(Expressed in Canadian Dollars)

**5. MILL AND EQUIPMENT**

| | Costs | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Mill | | Equipment | | Land | | Total |
| Balance May 31, 2020 | $ | 314,800 | $ | 1,387,767 | $ | 62,773 | $ | 1,765,340 |
| Additions, net of disposals | | - | | 206,939 | | - | | 206,939 |
| Balance May 31, 2021 | $ | 314,800 | $ | 1,594,706 | $ | 62,773 | $ | 1,972,279 |
| Additions, net of disposals | | - | | (744,578) | | - | | (744,578) |
| **Balance November 30, 2021** | **$** | **314,800** | **$** | **850,128** | **$** | **62,773** | **$** | **1,227,701** |

| | Accumulated Amortization | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Mill | | Equipment | | Land | | Total |
| Balance May 31, 2020 | $ | 314,800 | $ | 1,178,998 | $ | - | $ | 1,493,798 |
| Additions, net of disposals ** | | - | | 39,905 | | - | | 39,905 |
| Balance May 31, 2021 | | 314,800 | | 1,218,903 | | - | | 1,533,703 |
| Additions, net of disposals ** | | - | | (733,964) | | - | | (733,964) |
| **Balance November 30, 2021** | **$** | **314,800** | **$** | **484,939** | **$** | **-** | **$** | **799,739** |

| | Net Carrying Amount | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Mill | | Equipment | | Land | | Total |
| Balance May 31, 2020 | $ | - | $ | 208,769 | $ | 62,773 | $ | 271,542 |
| Balance May 31, 2021 | $ | - | $ | 375,803 | $ | 62,773 | $ | 438,576 |
| **Balance November 30, 2021** | **$** | **-** | **$** | **365,189** | **$** | **62,773** | **$** | **427,962** |

The Company's Rosebery building and land, which had net book values as at November 30, 2021 of $61,995 and $62,773 (May 31, 2021: $67,161 and $62,773) respectively, are encumbered by a first mortgage. (Note 13)

**The Company capitalizes its mill and related equipment amortization to Exploration & Evaluation Assets. (Note 7)

**(Expressed in Canadian Dollars)**

## 6. EXPLORATION AND EVALUATION ASSETS

**For the six months ended November 30, 2021:**

| | **Slocan and Sandon BC** | **Horwood ON** | **Total** |
|---|---|---|---|
| Acquisition Costs | **$ 691,278** | **$ 1,000** | **$ 692,278** |
| Exploration Costs | | | |
| Opening balance-exploration | **14,681,300** | **-** | **14,681,300** |
| Amortization | **27,654** | **-** | **27,654** |
| Fuel | **41,614** | **-** | **41,614** |
| Geology and labour | **344,267** | **-** | **344,267** |
| Ground maintenance | **596,882** | **-** | **596,882** |
| Mapping and sampling | **5,397** | **-** | **5,397** |
| Site administration | **18,224** | **-** | **18,224** |
| Supplies and maintenance | **93,431** | **-** | **93,431** |
| | **15,808,769** | **-** | **15,808,769** |
| BCMETC recovery | **(474,425)** | **-** | **(474,425)** |
| **Balance, November 30, 2021** | **$16,025,622** | **$ 1,000** | **$16,026,622** |

For the year ended May 31, 2021:

| | Slocan and Sandon BC | Horwood ON | Total |
|---|---|---|---|
| Acquisition Costs | $ 691,278 | $ 1,000 | $ 692,278 |
| Exploration Costs | | | |
| Opening balance-exploration | 12,609,516 | - | 12,609,516 |
| Amortization | 38,062 | - | 38,062 |
| Fuel | 86,580 | - | 86,580 |
| Geology and labour | 897,928 | - | 897,928 |
| Ground maintenance | 602,433 | - | 602,433 |
| Mapping and sampling | 13,638 | - | 13,638 |
| Share based compensation | 147,900 | - | 147,900 |
| Site administration | 17,502 | - | 17,502 |
| Supplies and maintenance | 267,741 | - | 267,741 |
| | 14,681,300 | - | 14,681,300 |
| BCMETC recovery | (474,425) | - | (474,425) |
| Balance, May 31, 2021 | $14,898,153 | $ 1,000 | $14,899,153 |

**British Columbia Properties**

The Slocan and Sandon Group covers an area of approximately 116 square kilometres. The claims include legacy claims, crown-granted claims and acquired or converted mineral claims. All claims are contiguous. Current claim expiry date is: July 31, 2029.

**(Expressed in Canadian Dollars)**

### 6. EXPLORATION AND EVALUATION ASSETS (Continued)

**Ontario Property**

The Company holds 28 mineral claims in the Horwood Township of the Porcupine mining division, Ontario. The claims are subject to a pre-existing 3% NSR. Claims are in good standing to September 20, 2022.

**Yukon Property**

The Company holds 9 mineral claims in the Watson Lake mining district of the Yukon Territory. Current claim expiry dates are: August 18, 2023 and February 4 2028. The claims were written down in prior years to reflect management focus on the British Columbia properties.

### 7. ACCRUED LIABILITIES

Accrued liabilities are summarized as follows:

| | **November 30 2021** | May 31 2021 |
|---|---|---|
| Professional fees | **$ -** | $ 12,000 |
| Constructive obligation | **106,000** | 106,000 |
| Tailings Management | **675,600** | 478,792 |
| | **$ 781,600** | $ 596,792 |

### 8. RESTORATION PROVISION

The Company has calculated the fair value of the restoration provision as at November 30, 2021 using a pre-tax discount rate of 0.54% (2020 – 0.54%). The estimated total future undiscounted cash flows to settle the restoration provision at November 30, 2021 is $400,000 (May 31, 2020 - $400,000).

| | **November 30 2021** | May 31 2021 |
|---|---|---|
| Balance, beginning of period | **$ 369,338** | $ 351,750 |
| Accretion | **9,233** | 17,588 |
| Balance, end of period | **$ 378,571** | $ 369,338 |

The components of this obligation are the removal of equipment currently used at the property as well as costs associated with the reclamation of the camp and work sites on the property. It is the Company's intention to continue exploration work on the property until at least the current mineral claim expiry, for which the key ground is currently July 31, 2029 without extension. The estimate of future asset retirement obligations is subject to change based on amendments to applicable laws, management's intentions and mineral claim renewals.

The Company may be contingently liable for other decommissioning liabilities. However, such obligations are not recognized since the fair value cannot be reasonably estimated due to the uncertainty of the extent of reclamation and remediation work and the settlement dates.

**(Expressed in Canadian Dollars)**

### 9. RELATED PARTY BALANCES AND TRANSACTIONS

Due to related party balances consist of the following*:

| | | **November 30 2021** | | May 31 2021 |
|---|---|---|---|---|
| Due to Directors and Officers* | **$** | **1,000** | $ | 1,000 |
| Due to Company controlled by a Director* | | **190** | | 190 |
| | **$** | **1,190** | $ | 1,190 |
| Convertible Debenture due to a major shareholder** | | | | |
| Convertible debenture cash value | **$** | **1,373,149** | $ | 1,306,273 |
| Equity adjustment | | **(216,365)** | | (225,042) |
| Convertible debenture statement value | **$** | **1,156,784** | $ | 1,081,231 |

* Unsecured, non-interest bearing, with no fixed terms of repayment.
** See note 11.

The Company entered into the following transactions with related parties (also see Note 11). All related party transactions were calculated at the amount of consideration established and agreed to by the related parties.

a) The Company was charged $60,000 (November 30, 2020 - $60,000) by an officer for services to the Company.

b) The Company was charged $18,000 (November 30, 2020 - $18,000) by an officer for rent.

c) The Company was charged $Nil in professional fees (November 30, 2020 - $6,235) by a company controlled by a director.

d) The Company accrued $66,876 in interest on the convertible debenture (November 30, 2020 - $93,992) to a company controlled by a major shareholder.

### 10. CONVERTIBLE DEBENTURE

The Company has a Convertible Debenture agreement with a major shareholder with the provision that the major shareholder may make multiple advances to the Company up to a total amount of $2,500,000. The debenture bears interest at the rate of 10% per annum, compounded monthly and matures on December 31, 2024. The first advance in the amount of $1,457,181 may be converted, in whole or in part, into units ("Units") of the Company at a conversion price of $0.10 per Unit before maturity (conversion price of $0.05 per Unit to January 15, 2021 is now expired). Each Unit is comprised of one common share and one common share purchase warrant of the Company. Each warrant may be converted into one share of the Company, with each Warrant being exercisable into one common share of the Company at a price of $0.05 per share for a period of 60 months from the issue date of the Convertible Debenture. Future advances under the Convertible Debenture agreement may be converted before maturity, in whole or in part, into Units at a conversion price equal to the then prevailing market price of the Company's common shares and the exercise price of future warrants will be equal to the then prevailing market price of the Company's common shares.
During the year ended May 2022, the major shareholder exercised his right to convert $700,000 of the Convertible Debenture at a conversion price of $0.05 per Unit. As a result, 14,000,000 common shares and 14,000,000 warrants, exercisable at $0.05 to December 31, 2024, were issued.

(Expressed in Canadian Dollars)

## 10. CONVERTIBLE DEBENTURE (Continued)

Changes in convertible debenture during the periods:

| | **November 30, 2021** | May 31, 2021 |
|---|---|---|
| | **$** | $ |
| Beginning balance | **1,081,231** | 1,306,855 |
| Accretion | **8,677** | 309,169 |
| Conversion | **-** | (700,000) |
| Interest accrual | **66,876** | 165,207 |
| Ending balance | **1,156,784** | 1,081,231 |

## 12. CEBA LOAN

In April 2020 the Company received a loan of $40,000, through the Canadian Emergency Business Account Program ("CEBA Loan"), which provides financial relief for Canadian small businesses during the COVID-19 pandemic. The CEBA Loans have an initial term date of December 31, 2022 (the "Initial Term Date") and may be extended to December 31, 2025. The CEBA Loans is non-revolving, with an interest rate being 0% per annum prior to the Initial Term Date and 5% per annum thereafter during any extended term, which is calculated daily and paid monthly. The CEBA Loans can be repaid at any time without penalty and, if $30,000 is paid prior to the Initial Term Date, the remaining balance of the CEBA Loan will be forgiven.

## 13. MORTGAGE PAYABLE

The Company has a first mortgage on the Rosebery property located in Rosebery, British Columbia, Canada, in the amount of $145,000. Interest payments of $1,202 calculated at 9.95% per annum are due monthly. The mortgage balance is due for renewal on December 1, 2022.

## 14. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) Issued during the period ended November 30, 2021

In July 2021, the Company issued 200,000 common shares at a price of $0.06 for the exercise of options by a Director.

In October 2021, the Company issued 200,000 common shares at a price of $0.06 for the exercise of options by a Director.

In November 2021, the Company issued 400,000 common shares at a price of $0.06 for the exercise of options by a Director.

c) Issued during the year ended May 31, 2021:

In July 2020, the Company issued 1,000,000 common shares at a price of $0.05 for the exercise of warrants.

In August 2020, the Company issued 2,430,000 common shares at a price of $0.05 for the exercise of warrants.

**14. SHARE CAPITAL** (Continued)

On September 14, 2020, the Company closed a private placement for total proceeds of $516,000. The terms were: 10,320,000 units at a price of $0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of $0.10 per share. Commissions paid total $3,250. A director participated for 180,000 units.

On September 25, 2020, the Company closed a private placement for total proceeds of $415,000. The terms were: 8,300,000 units at a price of $0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of $0.10 per share. Commissions paid total $41,750. A 10% holder participated for 800,000 units.

In September 2020, the Company issued 13,180,000 common shares at a price of $0.05 for the exercise of warrants. 150,000 common shares at a price of $0.055 were issued for the exercise of options.

On October 14, 2020, the Company closed a private placement for total proceeds of $503,000. The terms were: 10,060,000 units at a price of $0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of $0.10 per share. Commissions paid total $33,000.

In October 2020, the Company issued 7,510,000 common shares at a price of $0.05 for the exercise of warrants. 50,000 common shares at a price of $0.05 were issued for the exercise of options.

In November 2020, the Company issued 100,000 common shares at a price of $0.05 for the exercise of warrants. 100,000 common shares at a price of $0.06 were issued for the exercise of options.

In December 2020, the Company issued 2,950,000 common shares at a price of $0.05 for the exercise of warrants. 1,300,000 common shares at a price of $0.05 and 700,000 common shares at a price of $0.06 were issued for the exercise of options.

In January 2021, the Company issued 2,040,000 common shares at a price of $0.05, 400,000 common shares at a price of $0.055 and 100,000 shares at a price of $0.10 for the exercise of warrants. 1,600,000 common shares at a price of $0.05 and 170,000 common shares at a price of $0.06 were issued for the exercise of options. 14,000,000 common shares at a price of $0.05 were issued for the partial conversion of the convertible debenture (note 11).

In February 2021, the Company issued 50,000 common shares at a price of $0.05, 100,000 common shares at a price of $0.055 and 800,000 common shares at a price of $0.10 for the exercise of warrants. 100,000 common shares at a price of $0.055 were issued for the exercise of options.

On March 1, 2021, the Company closed a private placement for total proceeds of $1,120,600. The terms were: 8,620,000 shares at a price of $0.13 per common share. Commissions paid total $168,090.

(Expressed in Canadian Dollars)

## 14. SHARE CAPITAL (Continued)

In May 2021, the Company issued 400,000 common shares at a price of $0.05 for the exercise of options.

c) Warrants

On January 7, 2021, the Company issued 7,000,000 warrants exercisable for a period of 60 months at a price of $0.05 for the partial conversion of the convertible debenture. The fair value of these warrants issued was estimated on the date of issuance in the amount of $65,800 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.05; ii) expected share price volatility of 104%; iii) risk free interest rate of 0.41%; iv) no dividend yield; v) expected life of 5 years; and vi) fully vested on grant.

On January 15, 2021, the Company issued 7,000,000 warrants exercisable for a period of 60 months at a price of $0.05 for the partial conversion of the convertible debenture. The fair value of these warrants issued was estimated on the date of issuance in the amount of $44,100 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.05; ii) expected share price volatility of 104%; iii) risk free interest rate of 0.41%; iv) no dividend yield; v) expected life of 5 years; and vi) fully vested on grant.

In estimating the fair value of warrants issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of similar companies operating in the same industry as the Company. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the warrants' expected life. The Company uses historical data to estimate warrant exercise, and forfeiture within the valuation model. The Company has historically not paid dividends on its common stock.

A summary of the changes in warrants is as follows:

| | NUMBER OF WARRANTS OUTSTANDING | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|
| Balance, May 31, 2020 | 89,135,000 | 0.05 |
| Issued | 28,340,000 | 0.08 |
| Expired | (18,400,000) | 0.05 |
| Exercised | (30,560,000) | 0.05 |
| Balance, May 31, 2021 and November 30, 2021 | **68,515,000** | **$ 0.06** |

**(Expressed in Canadian Dollars)**

**14. SHARE CAPITAL** (Continued)

c) Warrants (Continued)

As at November 30, 2021, the following share purchase warrants were outstanding:

| TOTAL NUMBER OF WARRANTS | EXERCISE PRICES | EXPIRY DATES |
|---|---|---|
| 10,200,000 | $ 0.05 | January 31, 2022 |
| 5,600,000 | $ 0.055 | January 31, 2022 |
| 10,000,000 | $ 0.05 | December 1, 2022 |
| 4,450,000 | $ 0.05 | January 24, 2023 |
| 4,760,000 | $ 0.10 | March 15, 2023 |
| 4,150,000 | $ 0.10 | March 26, 2023 |
| 4,530,000 | $ 0.10 | April 15, 2023 |
| 4,965,000 | $ 0.05 | September 6, 2023 |
| 2,975,000 | $ 0.05 | December 10,2023 |
| 1,885,000 | $ 0.05 | April 25, 2024 |
| 14,000,000 | $ 0.05 | December 31,2024 |
| 1,000,000 | $ 0.05 | April 15, 2025 |
| 68,515,000 | | |

As at November 30, 2021 the weighted average remaining contractual life of the share purchase warrants was 1.48 years (May 31, 2021 – 1.98 years) and the weighted average exercise price was $0.06 (May 31, 2021 - $0.06).

d) Stock Options

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time.

On January 29, 2021 the Company granted 16,000,000 incentive stock options exercisable for a period of 30 months at a price of $0.15. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of $1,392,000 (of which $147,900 were capitalized to exploration and evaluation assets) using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.15; ii) expected share price volatility of 102%; iii) risk free interest rate of 0.14%; iv) no dividend yield; v) expected life of 2.5 years; and vi) fully vested on grant. The Company cancelled 8,250,000 of these options on March 30, 2021.

On November 29, 2019 the Company granted 725,000 incentive stock options exercisable for a period of five years at a price of $0.05. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of $21,025 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.05; ii) expected share price volatility of 133%; iii) risk free interest rate of 1.49%; iv) no dividend yield; v) expected life of 5 years; and vi) fully vested on grant.

(Expressed in Canadian Dollars)

## 14. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

In estimating the fair value of options granted using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of similar companies operating in the same industry as the Company. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has historically not paid dividends on its common stock.

The following is a summary of the changes in stock options:

| | NUMBER OF OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|
| Outstanding and exercisable at May 31, 2020 | 10,720,000 | $ 0.06 |
| Options granted | 16,000,000 | 0.15 |
| Options cancelled/expired | (8,600,000) | 0.15 |
| Options exercised | (4,570,000) | 0.05 |
| Outstanding and exercisable at May 31, 2021 | 13,550,000 | $ 0.11 |
| Options exercised | (800,000) | 0.06 |
| **Outstanding and exercisable at November 30, 2021** | **12,750,000** | **$ 0.11** |

As at November 30, 2021 the following stock options were outstanding and exercisable:

| NUMBER OF OPTIONS OUTSTANDING | EXERCISE PRICES | EXPIRY DATES |
|---|---|---|
| 5,200,000 | $ 0.06 | January 13, 2023 |
| 7,550,000 | $ 0.15 | July 28, 2023 * |
| 12,750,000 | | |

* On March 30, 2021 8,450,000 of 16,000,000 options were cancelled leaving 7,550,000 options with an expiry date of July 28, 2023 outstanding.

As at November 30, 2021 the weighted average remaining contractual life of the stock options was 1.44 years (May 31 2021 – 1.92 years) and the weighted average exercise price was $0.11 (May 31, 2021 – $0.11).

## 14. SHARE CAPITAL (Continued)

e) Nature and Purpose of Reserves

The reserves recorded in equity on the Company's statement of financial position from time to time will include "Contributed Surplus", "Warrant Reserve" and "Share-based Payment Reserve".

- "Contributed Surplus" recognizes amounts contributed to the Company shareholders either by way of direct contribution of cash or assets to the Company or delivery of assets to the Company having a fair value in excess of consideration paid by the Company.
- "Warrant Reserve" is used to recognize the fair value of share warrants prior to exercise or expiry.
- "Share-based Payment Reserve" is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

## 15. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. 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 team to sustain the future development of the business.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

There were no changes in the Company's approach to capital management during the periods ended November 30, 2021 and 2020. The Company is not subject to externally imposed capital requirements.

**(Expressed in Canadian Dollars)**

### 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at November 30, 2021, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

| | LEVEL | FVTPL | LOANS AND RECEIVABLES/ AMORTIZED COST | TOTAL CARRYING VALUE | FAIR VALUE |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash | 1 | $ 513,058 | $ - | $ 513,058 | $ 513,058 |
| Reclamation bonds | 2 | 270,500 | - | 270,500 | 270,500 |
| Receivables (a) | 2 | - | 24,805 | 24,805 | 24,805 |
| | | $ 783,558 | $ 24,805 | $ 808,363 | $ 808,363 |
| **Financial liabilities** | | | | | |
| Accounts payable and accrued liabilities (a) | 2 | $ - | $ (833,650) | $ (833,650) | $ (833,650) |
| Due to related parties (a) | 2 | - | (1,190) | (1,190) | (1,190) |
| Mortgage payable (a) | 2 | - | (145,000) | (145,000) | (145,000) |
| Convertible debenture | 2 | - | (1,156,784) | (1,156,784) | (1,156,784) |
| CEBA loan | 2 | - | (40,000) | (40,000) | (40,000) |
| | | $ - | $ (2,176,624) | $ (2,176,624) | $ (2,176,624) |

(a) Fair value approximates the carrying amounts due to the short-term nature.

The carrying values of the Company's financial liabilities were a reasonable approximation of fair value.

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk and commodity price risk are considered the most significant.

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

### 16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes, the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the period.

In the past the Company has been able to maintain its liquidity position through private placements. However, the variable market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations. All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of August 31, 2021.

c) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is held in a Canadian financial institution. The Company has minimal credit risk.

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

### 17. SUBSEQUENT EVENTS

The Company has been named in a province of British Columbia small claims court claim by a former Consultant claiming $25,051. The Company has not accrued any amount as this is viewed as a nuisance claim. A settlement conference is scheduled for March 15, 2022.

The Company acquired 4 mineral claims contiguous to existing claims. Cash payments are as follows: $1,000 paid on signing and five additional $1,000 payments due annually from 2022 to 2026. There is a 2.5% NSR royalty on these 4 mineral claims of which 1.5% can be purchased back at any time for $500,000.

# Klondike Silver Corp.
# Form 51-102F1
# Management Discussion and Analysis
# For the Six Months Ended November 30, 2021

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited financial statements of Klondike Silver Corp. ("Klondike Silver" or the "Company") for the six month period ended November 30, 2021 which have been prepared in compliance with International Financial Reporting Standard 34, Interim Financial Reporting ("IAS 34"). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.

The Company's financial statements have been prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is extending its best efforts in this regard, the outcome of these matters cannot be predicted at this time, these financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

**This MD&A has been prepared as of January 28, 2022**. All amounts are expressed in Canadian dollars unless otherwise stated.

## Forward Looking Information

This MD&A includes some statements that may be considered "forward-looking statements". All statements in this discussion that address the Company's expectations about future exploration and development are forward-looking statements. Although the Company believes the expectations presented in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes or lack thereof, availability of capital and financing, and general economic, market, and business conditions. Readers are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

## Risks and Uncertainties

The Company is subject to a number of risks and uncertainties due to the nature of its business. The Company's exploration and development activities expose the Company to various financial and operational risks that could have a significant impact on its level of operating cash flows in the future. Readers are advised to study and consider risk factors stressed below.

The following are identified as main risk factors that could cause actual results to differ materially from those stated in any forward-looking statements made by, or on behalf of, the Company.

## Financing

The Company's future financial success depends on the ability to raise additional capital from the issue of shares or the discovery of properties which could be economically justifiable to develop. Such development could take years to complete and resulting income, if any, is difficult to determine. The sales value of any mineralization potentially discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced.

### General Resource Exploration Risks and Competitive Conditions

The resource exploration industry is an inherently risky business with significant capital expenditures and volatile metals markets. The marketability of any minerals discovered may be affected by numerous factors that are beyond the Company's control and which cannot be predicted, such as market fluctuations, mineral markets, processing equipment, changes to government regulations, including those relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. This industry is intensely competitive and there is no guarantee that, even if commercial quantities are discovered, a profitable market will exist for their sale. The Company competes with other junior exploration companies for the acquisition of mineral claims as well as for the engagement of qualified contractors. Metal prices have fluctuated widely in recent years, and they are determined in international markets over which the Company has no influence.

### Governmental Regulation

Regulatory standards continue to change, making the review process longer, more complex and therefore more expensive. Exploration and development on the Company's properties are affected by government regulations relating to such matters as environmental protection, health, safety and labour, mining law reform, restrictions on production, price control, tax increases, maintenance of claims, and tenure. There is no assurance that future changes in such regulations couldn't result in additional expenses and capital expenditures, decreasing availability of capital, increased competition, reserve uncertainty, title risks, and delays in operations. The Company relies on the expertise and commitment of its management team, advisors, employees and contractors to ensure compliance with current laws.

### Company Overview

Klondike Silver is a Canadian listed public company with its shares traded on the TSX Venture Exchange under the symbol "KS".

The Company is a resource exploration stage company engaged in the acquisition and exploration of mineral properties. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issuance of shares from the treasury to investors and does not use long term debt. Once a body of commercial ore is found, the Company may offer to a major mining company the opportunity to acquire an interest in a property in return for funding by the major mining company, of all or part of the exploration and development of the property. The Company currently has no revenues from mineral producing operations and holds properties in British Columbia and the Yukon.

Additional information relating to the Company can be found on SEDAR at www.sedar.com and also on the Company's website at www.klondikesilver.com.

### Overall Performance

During the quarter the Company reported:

- the appointment of Neil K. Singh, M. Eng., P. Eng. to serve as the Independent Tailings Review Board
- the reinstatement of the free miners certificate
- production from a rock quarry located along the 4000' Level Adit access road for armouring the West bank of Carpenter creek adjacent to Klondike's tailings management facility
- the completion of the first phase of tailings pond embankment rehabilitation adjacent to Carpenter Creek

Exploration and evaluation spending during the six months ended November 30, 2021 was $1,127,469 (May 31, 2021 - $2,071,784). BC Mining Exploration Tax Credit of $206,603 was received in the year ended May 2021. Major categories were ground maintenance for $596,882, geology and labour for $344,266 and supplies and maintenance for $93,431 on the Slocan and Sandon BC claims.

Since December 2019, the outbreak of corona virus, specifically identified as “COVID-19”, has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments on future operations.

***Property Summaries and Exploration Updates***

***British Columbia Properties***

***Slocan Silver Camp***

The Slocan Silver Camp is centered around the historic mining town of Sandon, located 138 km north of the Trail B.C. smelter in south-eastern, British Columbia. Sandon is 14.5 kilometres east of New Denver and has year round access via an all-weather gravel road which branches off of paved Provincial Highway 31A, 8.5 km from New Denver.

Klondike Silver’s claims in the Slocan Camp cover an area of approximately 116 square kilometers and include 68 of the historical past-producing silver-lead-zinc mines of the camp, including the Silvana Mine. The Slocan Camp includes an operational 90 tonne per day (100 ton per day) mill situated immediately downstream of the historic town of Sandon. The claims include legacy claims, crown-granted claims, and recently acquired MTO mineral claims. Not all of the ground within the Camp is held by Klondike Silver. The majority of Klondike Silver’s claims are contiguous and in good standing with the province of British Columbia to July 31, 2029.

The central area of the Sandon camp, includes the second largest past producing mine in the region and has been the focus of Klondike Silver’s underground exploration for the past several years.

*Silvana Mine*

The principal source of the Slocan Camp's historic silver-lead-zinc production comes from the Main Lode structure which is approximately 9 km long, extending from the town of Silverton on Slocan Lake to the historic town of Cody in the east. The Main Lode transects 'Silver Ridge' which separates two major drainage basins (Carpenter and Silverton Creeks) of the Selkirk Mountains. The Silvana production area covers approximately 1.3 km of the Main Lode. The Company claims extend approximately 1.5 km to the west of the Silvana’s historic production zone. This region of the Main Lode has been named the “Silver Mile” by the Company. The western property boundary is 0.5 km from the Mammoth Mine, the next major mine to the west, along the Main Lode.

The Main Lode mines produced 1.8 million tonnes of ore with an average grade of 494 grams per tonne (g/t) (14.42 ounces per ton, oz/T) silver, 6.53 % lead and 5.29 % zinc (source BC MINFILE). Total production for all Main Lode mines was 888 tonnes (29 million oz) of silver, 117 million kg of lead and 97 million kg of zinc.

The mines within the Company’s claims produced 965,000 tonnes of ore with an average grade of 596 g/t (17.38 oz/T) silver, 7.69 % lead and 4.19 % zinc. Total production of the Company’s mines on the Main Lode was 575 tonnes (18 million oz) of silver, 74 million kg of lead and 40 million kg of zinc.

The Silvana Mine produced 511,000 tonnes of ore with an average grade of 476 g/t (13.87 oz/T) silver, 5.62 % lead and 5.15 % zinc. Total production of the Silvana Mine over 40 years was 243 tonnes (8 million ounces) of silver, 29 million kg of lead and 26 million kg of zinc. The Silvana mine's last production was in 2013.

The Silvana Mine was originally operated as a joint venture between Kam-Kotia and Burkham as the Silmonac Mine. The operation was re-name the Silvana Mine when Kam-Kotia and other mining companies amalgamated under Dickenson Mines Limited. In 1991 Treminco Resources Corp. acquired the property from Dickenson Mining Limited. In 1999 Klondike Gold acquired the property from Treminco and was later spun out as Klondike Silver Corp.

The Silvana mine is the only mine in the Slocan Mining Camp that was discovered from underground diamond drilling (i.e. a blind deposit). The old Ruth 5 level (Silvana 4000 Level) was extended westward from the New Ruth and Silversmith deposits and long up-hole diamond drill holes intersected substantial lead and zinc mineralization in 1968. Funds were raised for a higher elevation portal and Cross-cut Drift (Silvana 4625 Level) to intersect this mineralization. Production from the Silvana mine started in 1970 utilizing the refurbished 1952 Carnegie Mill, immediately downstream of the town of Sandon. Three side-hill tailings ponds have been constructed since production started (Tailings Management Facility – TMF), downstream of the mill. Pond #3 is the only active pond.
There are several tracked drifts to access mined areas (stopes) above the 4625 Level. Rubber-tired scooptrams utilized two declines to access stopes below 4625. There are three escapeways (Mascot portal, 4625 portal and 4000 portal) that provide natural ventilation year-round. Mining continued east and west of the 4625 Cross-cut Drift during the 1970s. In the west end the Main Lode structure changed its orientation and mineralization ceased. After continued exploration drifting and drilling on the structure in this area and with no mineralization intersected, mining ceased and continued only to the east and down the dip of the structure until 2010 when the operation mined out all visible mineralization.

It is now believed that the structure that was drifted and drilled in the west end was a post mineral fault that off-set the Main Lode by several hundred meters. The off-set was initially picked up by the last 3 drill holes completed in 2010. These three holes mark the eastern edge of the "Silver Mile".

*The Silver Mile*

The central underexplored "Silver Mile" portion of the Main Lode transects the steep-sided Silver Ridge at an elevation of 2140 meters. Several adits were developed between 1893 to 1923 by Carnation Silver Lead Mines Limited. Additional drifting in the Carnation Basin occurred in 1945 to 1952 by Kelowna Exploration Company. Although there are extensive workings in this area, limited production was recorded. This was due to economic and management conditions and the lack of underground diamond drilling, at that time.. The Main Lode surface expression was again explored in the 1960s initially by Silmonac, Kam-Kotia and then Dickenson Mines Ltd. Several strong soil geochemical anomalies were identified in 1983 to 1985 which lead to several short surface diamond drill programs that intersect significant mineralization in some of the holes in 1985. Since 1989, little surface exploration work has been done in this area due to the high altitude, rugged and steep terrain.

A 3D model has been developed over the last few years of the Company's portion of the Main Lode from historical diamond drill records, plans and sections and has been converted to Universal Transverse Mercator (UTM) coordinates utilizing a LIDAR topographical survey and several total station surface and underground surveys. The 3D model has identified the Main Lode off-set and the post-mineral fault. Using this model, an Application to Amend the Silvana active mine permit M-65 was initiated in 2018. The application included an extension of the 4625 West Lateral Drift of approximately 160 meters to the west, installation of two diamond drill stations and 26 diamond drill holes totaling 2,060 meters. Drifting of the first 80 + meters of drifting started in October 2018 and was finished December 2018 which included the first drill station. In 2019, the initial 4 diamond drill holes were completed at a bearing of 180 Az (due south). The next 3 drill holes were drilled at a bearing of 220 Az (southwest). The last drill hole in 2019 was drilled at a bearing of 130 Az (southeast). There was a total of 986 meters drilled in the 8 holes. Each hole intersected minor zinc and trace galena within the Main Lode vein system, as interpreted by the 3D model.

In 2020, 2 additional diamond drill holes were completed for 193 meters, at a bearing go 130 Az. The last drill hole from drill station #1 (K-1133) intersected 56.77 Ag/t over 0.8 meters, within the Main Lode. By the time the split core assay results were received, the diamond drill machine had been dismantled and drifting had commenced toward drill station #2. Additional drilling around K-1133, will be done in the future to explore additional mineralization.

Drifting was suspended in April 2020 due to COVID-19 restrictions. The Company is not currently working underground. The drift will need to be completed when Klondike Silver returns underground. When complete Drill Station #2 will need to be established, then a series of underground diamond drill holes will be drilled in a fan-type drill pattern to intersect the widest coverage area of the Main Lode vein system, at this location. The Main Lode vein system contains 8 of the largest mines in the Slocan Mining Camp.

Klondike's goal is to discover substantial mineralization in the drill holes. If Klondike is successful in discovering substantial mineralization, an application to re-start the mill and TMF would be made to Ministry of Energy, Mines and Low Carbon Innovation and Ministry of Environment. To reduce the government application timeframe, the Company initiated a baseline water quality monitoring program and benthic invertebrate study of the Carpenter Creek drainage basin and mine portals in late 2018. An acid rock drainage, metal leaching (ARD/ML) sampling program was started in 2017.

**Project Update**

At present Klondike's focus is to satisfy the Ministry of Energy, Mines and Low Carbon Innovation (EMLI) identified issues primarily concerning Klondike Silver's Tailing Management Facility (TMF). The Company is working with engineering firm Tetra Tech to address the geotechnical and hydrotechnical issues with respect to the TMF. Significant progress is being made towards satisfying the outstanding issues. The remaining work is estimated at $781,600. Access (temperature, snow cover and water levels) will dictate the timing of completion.

The Annual Reclamation Reports, the TMF Operations, Maintenance and Surveillance Manual, the TMF and underground Emergency Response Plans and Effluent Discharge Reports and several Environmental Management Plans are all up to date.

**Ontario Property**

The Company holds mineral claims in the Horwood township of the Porcupine mining division, Ontario. The claims are subject to a pre-existing 3% NSR. Remaining claims are in good standing to September 20, 2022.

**Yukon Property**

Stump claims are located in the Yukon. Current claim expiry dates are: August 18, 2023 and February 4, 2028.

**Results of Operations, three months ended November 30, 2021**

For the three months ended November 30, 2021 the Company had a net loss of $212,902 (November 30, 2020 - $278,420). The significant differences between the two periods include:

- A decrease in compensation and consulting to $76,827 (November 30, 2020 - $108,922) mainly due to payments to two independent business consultants in the prior year.
- A decrease in accretion to $8,973 (November 30, 2020 - $28,189) due to the partial conversion of convertible debenture in the prior year.
- A decrease in interest and bank charges to $38,169 (November 30, 2020 - $51,921) mainly due to the reduction in interest accrued on the convertible debenture due to the partial conversion in the prior year.

**Results of Operations, six months ended November 30, 2021**

For the six months ended November 30, 2021 the Company had a net loss of $392,692 (November 30, 2020 - $489,311). The significant differences between the two periods include:

- A decrease in compensation and consulting to $149,146 (November 30, 2020 - $199,485) mainly due to payments to two independent business consultants in the prior year.
- A decrease in accretion to $17,911 (November 30, 2020 - $56,046) due to the partial conversion of convertible debenture in the prior year.
- A decrease in interest and bank charges to $75,186 (November 30, 2020 - $101,570) mainly due to the reduction in interest accrued on the convertible debenture due to the partial conversion in the prior year.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight quarters with the figures for each quarter in Canadian dollars.

| Quarter Ending | Other Income/ (Expense) | Net Loss | Net Loss per Share |
|---|---|---|---|
| November 30, 2021 | $ Nil | $ 212,902 | $ 0.00 |
| August 31, 2021 | Nil | 179,790 | 0.00 |
| May 31, 2021 | Nil | 300,771 | 0.00 |
| February 28, 2021 | Nil | 1,636,584 | 0.01 |
| November 30, 2020 | Nil | 278,420 | 0.00 |
| August 31, 2020 | Nil | 210,891 | 0.00 |
| May 31, 2020 | Nil | 28,068 | 0.00 |
| February 29, 2020 | Nil | 236,915 | 0.00 |

**Off Balance Sheet Arrangements**

As at November 30, 2021, the Company did not have any off balance sheet arrangements to disclose.

**Liquidity and Capital Resources**

The Company has financed its operations primarily by the issue of share capital and loans from related parties.

The continued operations of the Company are dependent on its ability to complete sufficient public equity financing, or generate profitable operations in the future.

The Company had working capital of $(402,769) at November 30 (May 31 2021 - $972,213). The Company does not have sufficient working capital to meet its obligations for the next twelve months.

The Company's capital needs in the current and previous years have been met by the following equity financings:

Period ended November 30, 2021:

In July 2021, the Company issued 200,000 common shares at a price of $0.06 for the exercise of options by a Director.

In October 2021, the Company issued 200,000 common shares at a price of $0.06 for the exercise of options by a Director.

In November 2021, the Company issued 400,000 common shares at a price of $0.06 for the exercise of options by a Director.

Year ended May 31, 2021:

In July 2020, the Company issued 1,000,000 common shares at a price of $0.05 for the exercise of warrants.

In August 2020, the Company issued 2,430,000 common shares at a price of $0.05 for the exercise of warrants.

On September 14, 2020, the Company closed a private placement for total proceeds of $516,000. The terms were: 10,320,000 units at a price of $0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of $0.10 per share. Commissions paid total $3,250. A director purchased 180,000 units.

On September 25, 2020, the Company closed a private placement for total proceeds of $415,000. The terms were: 8,300,000 units at a price of $0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of $0.10 per share. Commissions paid total $41,750. A shareholder owing more than 10% of the common shares purchased 800,000 units.

In September 2020, the Company issued 13,180,000 common shares at a price of $0.05 for the exercise of warrants. 150,000 common shares at a price of $0.055 were issued for the exercise of options.

On October 14, 2020, the Company closed a private placement for total proceeds of $503,000. The terms were: 10,060,000 units at a price of $0.05 per unit. All units consist of one common share and one half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share for 30 months at a price of $0.10 per share. Commissions paid total $33,000.

In October 2020, the Company issued 7,510,000 common shares at a price of $0.05 for the exercise of warrants. 50,000 common shares at a price of $0.05 were issued for the exercise of options.

In November 2020, the Company issued 100,000 common shares at a price of $0.05 for the exercise of warrants. 100,000 common shares at a price of $0.06 were issued for the exercise of options.

In December 2020, the Company issued 2,950,000 common shares at a price of $0.05 for the exercise of warrants. 1,300,000 common shares at a price of $0.05 and 700,000 common shares at a price of $0.06 were issued for the exercise of options.

In January 2021, the Company issued 2,040,000 common shares at a price of $0.05, 400,000 common shares at a price of $0.055 and 100,000 shares at a price of $0.10 for the exercise of warrants. 1,600,000 common shares at a price of $0.05 and 170,000 common shares at a price of $0.06 were issued for the exercise of options. 14,000,000 common shares at a price of $0.05 were issued for the partial conversion of the convertible debenture.

In February 2021, the Company issued 50,000 common shares at a price of $0.05, 100,000 common shares at a price of $0.055 and 800,000 common shares at a price of $0.10 for the exercise of warrants. 100,000 common shares at a price of $0.055 were issued for the exercise of options.

On March 1, 2021, the Company closed a private placement for total proceeds of $1,120,600. The terms were: 8,620,000 common shares at a price of $0.13 per common share. Commissions paid total $168,090.

In May 2021, the Company issued 400,000 common shares at a price of $0.05 for the exercise of options.

**Transactions with Related Parties**

Due to Related parties balances consisted of the following*:

| | November 30 2021 | May 31 2021 |
|---|---|---|
| Due to Directors and Officers* | $ 1,000 | $ 1,000 |
| Due to Company controlled by a Director* | 190 | 190 |
| | $ 1,190 | $ 1,190 |
| Convertible Debenture due to a major shareholder** | | |
| Convertible debenture cash value | $ 1,373,149 | $ 1,306,274 |
| Equity adjustment | (216,365) | (225,043) |
| Convertible debenture statement value | $ 1,156,784 | $ 1,081,231 |

* Unsecured, non-interest bearing, with no fixed terms of repayment.

The Company entered into the following transactions with related parties. All related party transactions were measured at the amount of consideration established and agreed to by the related parties.

a) The Company was charged $60,000 (November 30, 2020 - $60,000) by an officer for services to the Company.

b) The Company was charged $18,000 (November 30, 2020 - $18,000) by an officer for rent.

c) The Company was charged $Nil in professional fees (November 30, 2020 - $6,235) by a company controlled by a director.

d) The Company accrued $66,876 in interest on the convertible debenture (November 30, 2020 - $93,992) to a company controlled by a major shareholder.

**Provisions, Contingent Liabilities and Contingent Assets**

Under IFRS, restoration provisions are measured at the inflation adjusted present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability.

**Subsequent Events**

The Company has been named in a province of British Columbia small claims court claim by a former Consultant claiming $25,051. The Company has not accrued any amount as this is viewed as a nuisance claim. A settlement conference is scheduled for March 15, 2022.

The Company acquired 4 mineral claims contiguous to existing claims. Cash payments are as follows: $1,000 paid on signing and five additional $1,000 payments due annually from 2022 to 2026. There is a 2.5% NSR royalty on these 4 mineral claims of which 1.5% can be purchased back at any time for $500,000.

**Financial Instruments and Other Instruments**

Financial instruments are exposed to commodity price risk, liquidity and market risks.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations. Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the year. During the past years the Company has been able to maintain its liquidity through private placements.

**Outstanding Share Data as of the date of this report:**

The authorized share capital consists of an unlimited number of common shares.

**Common shares** – 245,964,035 common shares were issued and outstanding.
**Warrants** - The Company has the following warrants outstanding at the date of this report:

| TOTAL NUMBER OF WARRANTS | EXERCISE PRICES | EXPIRY DATES |
|---|---|---|
| 10,200,000 | $ 0.05 | January 31, 2022 |
| 5,600,000 | $ 0.055 | January 31, 2022 |
| 10,000,000 | $ 0.05 | December 1, 2022 |
| 4,450,000 | $ 0.05 | January 24, 2023 |
| 4,760,000 | $ 0.10 | March 15, 2023 |
| 4,150,000 | $ 0.10 | March 26, 2023 |
| 4,530,000 | $ 0.10 | April 15, 2023 |
| 4,965,000 | $ 0.05 | September 6, 2023 |
| 2,975,000 | $ 0.05 | December 10,2023 |
| 1,885,000 | $ 0.05 | April 25, 2024 |
| 14,000,000 | $ 0.05 | December 31,2024 |
| 1,000,000 | $ 0.05 | April 15, 2025 |
| 68,515,000 | | |

**Options** – The Company has the following options outstanding at the date of this report:

| TOTAL NUMBER OF OPTIONS | EXERCISE PRICES | EXPIRY DATES |
|---|---|---|
| 5,200,000 | $ 0.06 | January 13, 2023 |
| 7,550,000 | $ 0.15 | July 28, 2023 |
| 12,750,000 | | |

**Investor Relations**

Directors and Officers are always available to discuss the status of the company with investors.

**Disclosure Controls and Procedures**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

TSX Venture listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.