# LABRADOR GOLD CORP.

# FINANCIAL STATEMENTS

# YEARS ENDED SEPTEMBER 30, 2020 AND 2019

# (EXPRESSED IN CANADIAN DOLLARS)

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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# Independent Auditor's Report

To the Shareholders of Labrador Gold Corp.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Labrador Gold Corp. (the "Company"), which comprise the statements of financial position as at September 30, 2020 and 2019, the statements of loss and comprehensive loss, cash flows and changes in equity for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company is dependent on equity issuances to fund operations and has an accumulated deficit of $12,707,683 as at September 30, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Brad J Waddell.

De Visser Gray LLP

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada
January 27, 2021

# Labrador Gold Corp.
**Statements of Financial Position**
**(Expressed in Canadian Dollars)**

| | Note | | As at September 30, 2020 | | As at September 30, 2019 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current** | | | | | |
| Cash | | **$** | **6,298,629** | $ | 403,466 |
| Amounts receivable | | | **73,078** | | 53,772 |
| Prepaid expenses | | | **85,261** | | 11,686 |
| **Total current assets** | | | **6,456,968** | | 468,924 |
| Unproven mineral interests | 7 | | **7,353,276** | | 6,351,691 |
| **Total assets** | | **$** | **13,810,244** | $ | 6,820,615 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| **Current** | | | | | |
| Accounts payable and accrued liabilities | 6 | **$** | **195,872** | $ | 198,276 |
| Deferred flow-through premium liability | 4 | | **44,941** | | - |
| **Total liabilities** | | | **240,813** | | 198,276 |
| **Shareholders' equity** | | | | | |
| Share capital | 4 | | **23,561,123** | | 16,179,249 |
| Share-based payments reserve | 4 | | **2,715,991** | | 1,101,865 |
| Deficit | | | **(12,707,683)** | | (10,658,775) |
| **Total shareholders' equity** | | | **13,569,431** | | 6,622,339 |
| **Total liabilities and shareholders' equity** | | **$** | **13,810,244** | $ | 6,820,615 |

*The accompanying notes are an integral part of these financial statements*

Nature of operations and going concern (Note 1)
Subsequent events (Note 10)

**Approved on behalf of the Board:**

"James Borland", Director

"Trevor Boyd", Director

## Labrador Gold Corp.
**Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian Dollars)**

| | Note | | Year Ended September 30, 2020 | | Year Ended September 30, 2019 |
|---|---|---|---|---|---|
| **Operating expenses** | | | | | |
| Consulting and management fees | 6 | **$** | **340,623** | $ | 105,000 |
| Office and miscellaneous | | | **126,988** | | 30,625 |
| Professional fees | 6 | | **97,444** | | 22,603 |
| Regulatory and transfer fees | | | **31,620** | | 21,869 |
| Share-based compensation | 4, 6 | | **1,449,471** | | 353,354 |
| Shareholder communications | | | **38,366** | | 40,315 |
| **Loss before other items** | | | **(2,084,512)** | | (573,766) |
| **Other items** | | | | | |
| Gain on forgiveness of debt | | | **-** | | 1,330 |
| Flow-through premium | 4 | | **35,059** | | - |
| Other income | | | **545** | | 2,839 |
| **Net loss and comprehensive loss for the year** | | **$** | **(2,048,908)** | $ | (569,597) |
| **Basic and diluted net loss per share** | | **$** | **(0.03)** | $ | (0.01) |
| **Weighted average number of common shares outstanding** | | | **66,031,084** | | 55,116,682 |

*The accompanying notes are an integral part of these financial statements*

## Labrador Gold Corp.
**Statements of Cash Flows**
**(Expressed in Canadian Dollars)**

| | Year Ended September 30, 2020 | Year Ended September 30, 2019 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the year | **$ (2,048,908)** | $ (569,597) |
| Items not affecting cash: | | |
| Share-based compensation | **1,449,471** | 353,354 |
| Flow-through premium | **(35,059)** | - |
| Gain on forgiveness of debt | **-** | (1,330) |
| Changes in non-cash working capital items | | |
| Amounts receivable | **(19,306)** | 221,706 |
| Prepaid expenses | **(73,575)** | (9,964) |
| Accounts payable and accrued liabilities | **80,078** | 3,514 |
| **Net cash used in operating activities** | **(647,299)** | (2,317) |
| **Investing activities** | | |
| Unproven mineral interests - acquisition | **(268,000)** | (225,000) |
| Unproven mineral interests - exploration | **(618,267)** | (983,082) |
| **Net cash used in investing activities** | **(886,267)** | (1,208,082) |
| **Financing activities** | | |
| Issue of common shares for cash | **7,708,979** | 631,150 |
| Share issue costs | **(280,250)** | - |
| **Net cash provided in financing activities** | **7,428,729** | 631,150 |
| **Net change in cash** | **5,895,163** | (579,249) |
| **Cash, beginning of year** | **403,466** | 982,715 |
| **Cash, end of year** | **$ 6,298,629** | $ 403,466 |

*The accompanying notes are an integral part of these financial statements*

# Labrador Gold Corp.

**Statements of Changes in Equity**
**(Expressed in Canadian Dollars)**

| | Note | Share Capital Number | | Share Capital Amount | | Share-Based Payments Reserve | | Deficit | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, September 30, 2018** | | 51,592,552 | $ | 15,438,380 | $ | 748,510 | $ | (10,089,178) | $ | 6,097,712 |
| Acquisition of unproven mineral interests | 4, 9 | 525,000 | | 99,750 | | - | | - | | 99,750 |
| Exercise of warrants | 4 | 4,855,000 | | 631,150 | | - | | - | | 631,150 |
| Expenses settled with shares | 4 | 66,470 | | 9,969 | | - | | - | | 9,969 |
| Share-based compensation | 4 | - | | - | | 353,354 | | - | | 353,354 |
| Net loss for the year | | - | | - | | - | | (569,597) | | (569,597) |
| **Balance, September 30, 2019** | | **57,039,022** | | **16,179,249** | | **1,101,864** | | **(10,658,775)** | | **6,622,338** |
| Issuance of common shares in private placements | 4 | 28,571,429 | | 5,300,000 | | - | | - | | 5,300,000 |
| Premium on issuance of flow-through private placement shares | 4 | - | | (80,000) | | - | | - | | (80,000) |
| Share issue costs - cash | 4 | - | | (280,250) | | - | | - | | (280,250) |
| Share issue costs - fair value of finder's warrants and units | 4 | - | | (274,135) | | 274,135 | | - | | - |
| Options exercised | 4 | 200,000 | | 36,672 | | (16,672) | | - | | 20,000 |
| Warrants exercised | 4 | 6,463,156 | | 2,217,155 | | (16,742) | | - | | 2,200,413 |
| Broker units exercised | 4 | 670,568 | | 264,632 | | (76,065) | | - | | 188,567 |
| Acquisition of unproven mineral interests | 4, 7 | 430,000 | | 197,800 | | - | | - | | 197,800 |
| Share-based compensation | 4, 6 | - | | - | | 1,449,471 | | - | | 1,449,471 |
| Net loss for the year | | - | | - | | - | | (2,048,908) | | (2,048,908) |
| **Balance, September 30, 2020** | | **93,374,175** | **$** | **23,561,123** | **$** | **2,715,991** | **$** | **(12,707,683)** | **$** | **13,569,431** |

*The accompanying notes are an integral part of these financial statements*

## 1. Nature of business and going concern

Labrador Gold Corp. (formerly Nikos Explorations Ltd.) ("Labrador Gold" or the "Company") is a company involved in the acquisition and exploration of prospective gold projects in the Americas. It was incorporated under the Business Corporations Act (British Columbia) in 1987. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "LAB". Its principal office is located at 326 Rusholme Road, Toronto, ON, Canada M6H 2Z5.

The Company is focused in conducting gold exploration in the province of Newfoundland and Labrador, Canada, and also has mineral right interests in Ontario, Canada. At the date of these financial statements, the Company has not yet determined whether any of its mineral interests contain economically mineral reserves. Accordingly, the carrying amount of its mineral right interests represents the cumulative acquisition costs and exploration expenditures incurred to date, which does not necessarily reflect present or future values. The recovery of these costs is dependent on the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to undertake continuing exploration and development, and to resolve any environmental, regulatory or other constraints.

These financial statements have been prepared on a going concern basis, which assume that the Company will be able to continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of several material adverse conditions as set out below that cast significant doubt on the validity of this assumption.

The Company is a mineral exploration company with a history of recurring losses and without a source of revenue. At September 30, 2020, the Company had no source of operating cash flow. Operations in recent years have been funded from the issuance of share capital and cash on hand.

Given its current stage of operations, the Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. In the event the Company is unable to raise adequate financing or meet its current obligations, the carrying value of the Company's unproven mineral right interests could be subject to adjustments.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

## 2. Basis of Preparation

### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended September 30, 2020.

These financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise stated. These financial statements have been prepared on an accrued basis and are based on the historical cost basis and modified where applicable.

These financial statements were authorized for issue by the board of directors of the Company on January 27, 2021.

## 3. Significant accounting policies

### Use of judgments and estimates

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

<u>Judgments</u>

a) Unproven mineral right interests

The application of the Company's accounting policy for unproven mineral right interests requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

b) Title to unproven mineral right interests

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Going concern

Critical judgment and estimates are applied for the determination that the Company will continue as a going concern for the next year.

<u>Estimates</u>

a) Share-based compensation:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The model and assumptions used by the Company to estimate the fair value of share-based payments are disclosed in note 4(c).

**3. Significant accounting policies (continued)**

**Use of judgments and estimates (continued)**

Estimates (continued)

b) Income taxes:

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. There were no cash equivalents at September 30, 2020 and 2019.

**Unproven mineral right interests**

All acquisition costs, exploration and direct field costs are capitalized into intangible assets until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral right interests on a periodic basis and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. Management's assessment of the mineral right's fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review. Administration costs and other exploration costs that do not relate to a specific mineral right are expensed as incurred.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

**3. Significant accounting policies (continued)**

**Impairment of non-financial assets**

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash- generating unit) in prior years.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral right interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management’s estimate of the net cash flow to be generated from its projects.

**Income taxes**

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

**3. Significant accounting policies (continued)**

**Income taxes (continued)**

Deferred income tax (continued)

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

## 3. Significant accounting policies (continued)

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

### Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity- settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

### Share capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of share issuance or other fair value equivalent amount as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in the non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to the residual value method.

**3. Significant accounting policies (continued)**

**Basic loss per share**

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

**Reclamation provision**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

**Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

*New accounting policies adopted*

*Leases ("IFRS 16")*

The Company adopted IFRS 16, which replaced IAS 17, Leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases, with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16 changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; and introduces new disclosure requirements.

The Company adopted IFRS 16 on October 1, 2019 using the modified retrospective approach without restatement of comparative amounts, electing to measure the right-of-use asset at an amount equal to the lease liability. The modified retrospective approach offers the option, on a lease-by-lease basis, to either measure the right-of-use asset retrospectively using the discount rate as at the date of initial application or to measure the right-of-use asset at an amount equal to the lease liability. An assessment was made and there was no impact to the Company's financial statements as at October 1, 2019.

## 4. Equity

(a) Share capital

An unlimited number of common shares without par value

Fiscal 2020:

On June 18, 2020, the Company closed a non-brokered private placement with the sale of 4,000,000 flow-through units ("FT Units") of the company at a price of $0.25 per FT Unit for gross proceeds of $1,000,000. Each FT Unit comprises one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.30 until June 18, 2022. The Company recognized the receipt of $80,000 as a deferred flow-through premium liability.

On June 25, 2020, the Company closed a non-brokered private placement with the sale of 24,571,429 units at a price of $0.175 per unit for proceeds of $4,300,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.30 until June 25, 2022. The Company paid $211,610 in cash finders' fees and issued 1,179,043 broker warrants. Each broker warrant is exercisable at $0.175 until June 25, 2022 to acquire one common share.

The 1,179,043 broker warrants attached to the above private placements were valued at $198,059 using the Black-Scholes option pricing model and the following assumptions: weighted average share price - $0.28; weighted average exercise price - $0.175; dividend yield - 0%; risk-free interest rate - 0.30%; expected volatility - 91%; and expected life - 2 years.

During the year ended September 30, 2020, the Company received proceeds of $20,000 from the exercise of 200,000 share purchase options. The $16,672 value of the 200,000 options exercised was transferred from the share-based payments reserve to share capital upon exercise. See Note 4(c).

During the year ended September 30, 2020, the Company received proceeds of $2,217,155 from the exercise of 6,453,156 warrants, including 103,600 finder's warrants. The $16,742 value of the 103,600 finder's warrants exercised was transferred from the share-based payments reserve to share capital upon exercise. See Note 4(d).

During the year ended September 30, 2020, 586,928 Broker Units were exercised for proceeds of $146,732, with the $70,211 value of these Broker Units transferred from the share-based payments reserve to share capital upon exercise.

During the year ended September 30, 2020, 83,640 Flow-Through Broker Units were exercised for proceeds of $25,092, with the $5,854 value of these Flow-Through Broker Units transferred from the share-based payments reserve to share capital upon exercise. See Note 4(e).

During the year ended September 30, 2020, the Company issued 430,000 shares, valued at $197,800, for the acquisition of unproven mineral right interests at the Thomas Property and Kingsway Property (Note 7).

Fiscal 2019:

The Company received proceeds of $631,150 from the exercise of 4,855,000 warrants.

The Company entered into a shares-for-debt settlement with an arm's-length party, in respect of online marketing services provided to the Company. Under the agreement, the Company issued an aggregate of 66,470 common shares valued at $9,971 to settle debt of $11,300 and recognized a gain on settlement of $1,330.

During the year ended September 30, 2019, the Company issued 525,000 shares, valued at $99,750, for the acquisition of unproven mineral right interests at the Labrador Properties (Note 7).

**(Expressed in Canadian Dollars)**

## 4. Equity (continued)

(b) Share-based payment reserve

Share-based payments reserve consists of the accumulated fair value of common share options, share purchase warrants and broker units recognized as share-based payments, net of the fair values of common share options, share purchase warrants and broker units transferred to share capital upon exercise.

(c) Share purchase options

The following table reflects the continuity of stock options for the years ended September 30, 2020 and 2019:

| | Number of share purchase options | Weighted average exercise price ($) |
|---|---|---|
| **Balance, September 30, 2018** | 2,780,000 | 0.15 |
| Granted (i)(ii) | 1,700,000 | 0.25 |
| **Balance, September 30, 2019** | **4,480,000** | **0.19** |
| Granted (iii) | 3,150,000 | 0.45 |
| Forfeited (iv) | (920,000) | (0.17) |
| Exercised (v) | (200,000) | (0.10) |
| **Balance, September 30, 2020** | **6,510,000** | **0.32** |

(i) On September 9, 2019, the Company granted 100,000 share purchase options to a consultant, exercisable at a price of $0.25 per share until September 9, 2024. A fair value of $65,036 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $0.19; dividend yield - 0%; expected volatility - 196.35%; risk-free interest rate - 1.37%; and an expected life - 5 years. 50% of the options vested immediately upon grant, with the balance vesting on March 9, 2020.

(ii) On May 15, 2019, the Company granted 1,600,000 share purchase options to directors, officers and consultants, exercisable at a price of $0.25 per share until May 15, 2024. A fair value of $65,036 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $0.22; dividend yield - 0%; expected volatility - 201.56%; risk-free interest rate - 1.54%; and an expected life - 5 years. The options vested immediately upon grant.

(iii) On July 27, 2020, the Company granted 3,150,000 share purchase options to directors, officers and consultants, exercisable at a price of $0.45 per share until July 27, 2025. A fair value of $1,441,545 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $0.54; dividend yield - 0%; expected volatility - 123.07%; risk-free interest rate - 0.35%; and an expected life - 5 years. The options vested immediately upon grant.

(iv) During the year ended September 30, 2020, 920,000 options with a weighted average price of $0.17 were forfeited without exercise.

(v) During the year ended September 30, 2020, the Company, as noted in Note 4(a), received proceeds of $20,000 from the exercise of 200,000 share purchase options. The $16,672 value of the 200,000 options exercised was transferred from the share-based payments reserve to share capital upon exercise.

During the year ended September 30, 2020, $1,449,471 (year ended September 30, 2019 - $353,354) was expensed to share-based compensation.

**(Expressed in Canadian Dollars)**

## 4. Equity (continued)

(c) Share purchase options (continued)

The following table reflects the stock options issued and outstanding as of September 30, 2020:

| Expiry date | Exercise price ($) | Remaining contractual life (years) | Number of options outstanding | Vested and execisable |
|---|---|---|---|---|
| February 9, 2021 | 0.06 | 0.36 | 240,000 | 240,000 |
| March 6, 2022 | 0.10 | 1.43 | 400,000 | 400,000 |
| December 13, 2022 | 0.20 | 2.2 | 1,320,000 | 1,320,000 |
| May 15, 2024 | 0.25 | 3.62 | 1,300,000 | 1,300,000 |
| September 9, 2024 | 0.25 | 3.95 | 100,000 | 100,000 |
| July 27, 2025 | 0.45 | 4.82 | 3,150,000 | 3,150,000 |
| | **0.32** | **3.67** | **6,510,000** | **6,510,000** |

(d) Share purchase warrants

The following table reflects the continuity of warrants for the years ended September 30, 2020 and 2019:

| | Number of share purchase warrants | Weighted average exercise price ($) |
|---|---|---|
| **Balance, September 30, 2018** | 20,971,484 | 0.27 |
| Exercised (i) | (4,855,000) | (0.13) |
| Expired | (500,000) | (0.13) |
| **Balance, September 30, 2019** | **15,616,484** | **0.32** |
| Issued (ii)(iii)(iv) | 30,089,756 | 0.30 |
| Exercised (v) | (6,463,156) | (0.34) |
| Expired (vi) | (1,577,612) | (0.37) |
| **Balance, September 30, 2020** | **37,665,472** | **0.30** |

(i) The Company received proceeds of $631,150 from the exercise of 4,855,000 warrants. A total of 500,000 warrants priced at $0.13 expired unexercised.

On November 6, 2019, the Company extended the expiry date of 8,785,000 warrants exercisable at $0.30 and 80,000 warrants exercisable at $0.40 from November 22, 2019 to November 22, 2020.

(ii) In June 2020, the Company issued 28,571,429 warrants exercisable into one common share of the Company at a price of $0.30 per share and 1,179,043 broker warrants at a price of $0.30 exercisable into one Company share at a price of $0.18 pursuant to completed private placements. These warrants have a term of two years. A fair value of $198,059 was determined for the broker warrants using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - $0.28; dividend yield - 0%; expected volatility – 91.03%; risk-free interest rate – 0.30%; and an expected life - 2 years. See Note 4(a).

(iii) During the year ended September 30, 2020, the Company issued 4,000 broker warrants relating to the Company's July 2018 private placement. Each broker warrant was exercisable at $0.40 per common share until July 23, 2020 and expired unexercised. A fair value of $10 was determined using the Black-Scholes option pricing model. The following

**(Expressed in Canadian Dollars)**

### 4. Equity (continued)

(d) Share purchase warrants (continued)

weighted average assumptions were used: share price - $0.37; dividend yield - 0%; expected volatility - 46%; risk-free interest rate - 0.24%; and an expected life - 0.02 years.

(iv) In July 2020, the Company issued 335,284 warrants exercisable at $0.35 per common share until July 23, 2020 pursuant to the exercise of broker units. See note 4(e).

(v) The Company received proceeds of $2,217,155 from the exercise of 6,463,156 warrants, including 103,600 finder's warrants. The $16,742 value of the 103,600 finder's warrants exercised was transferred from the share-based payments reserve to share capital upon exercise.

(vi) During the year ended September 30, 2020, 1,577,612 warrants exercisable at prices ranging from $0.30 to $0.40 per common share expired.

(e) Broker units

The following table reflects the continuity of broker units for the years ended September 30, 2020 and 2019:

| | Number of broker units | Weighted average exercise price ($) |
|---|---|---|
| **Balance, September 30, 2018 and 2019** | - | - |
| Issued (i)(ii) | 670,568 | 0.26 |
| Exercised | (670,568) | (0.26) |
| **Balance, September 30, 2020** | - | - |

(i) In July 2020, the Company issued 586,928 broker units ("Broker Units") relating to the Company's June 2018 private placement. Each Broker Unit was exercisable at $0.25 per unit until July 23, 2020 into one common share of the Company and one-half of one common share purchase warrant, where each full warrant entitled the holder to purchase a common share of the Company at $0.35 per share until July 23, 2020. A fair value of $70,211 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.37; dividend yield - 0%; expected volatility - 46%; risk-free interest rate - 0.24%; and an expected life - 0.02 years.

(ii) In July 2020, the Company issued 83,640 flow-through broker units ("FT Broker Units") relating to the Company's July 2018 private placement. Each FT Broker Unit was exercisable at $0.30 per unit until July 23, 2020 into one common share of the Company and one-half of one common share purchase warrant, where each full warrant entitled the holder to purchase a common share of the Company at $0.35 per share until July 23, 2020. A fair value of $5,854 was determined using the Black-Scholes option pricing model. The following weighted average assumptions were used: share price - $0.37; dividend yield - 0%; expected volatility - 46%; risk-free interest rate - 0.24%; and an expected life - 0.02 years.

The above broker units were exercised in July 2020.

## 5. Financial and capital risk management - financial instruments

### Financial risk

The Company's activities expose it to a variety of financial risks, which include liquidity risk, interest rate risk, currency risk and credit risk.

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. A significant decrease in commodity prices can have an adverse impact on the Company's ability to raise funds through the equity market. The Company generates cash flow primarily from its financing activities. All of the Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(ii) Interest rate risk

The Company currently does not have any short-term or long-term debt that is interest bearing at variable rates. As such, the Company’s current exposure to interest rate risk is minimal.

(iii) Foreign currency risk

The Company is not exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and its functional currency is the Canadian Dollar. All of its cash is held in Canadian dollars and significantly all of the Company’s costs are denominated in Canadian dollars.

(iv) Credit risk

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a major Canadian chartered bank, from which management believes the risk of loss to be minimal.

### Capital risk management

The Company’s capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company’s objectives when managing its capital structure are to maintain financial flexibility to preserve the Company’s access to capital markets and its ability to meet its financial obligations. The Company’s management is responsible for capital management. This involves the use of corporate forecasting models, which facilitate analysis of the Company’s financial position including cash flow forecasts to determine the future capital management requirements.

As of September 30, 2020, the Company is managing its existing working capital to ensure that it will be able to meet current commitments.

Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company’s corporate and project requirements are met.

**(Expressed in Canadian Dollars)**

## 6. Related party transactions

Related parties include the Company's officers, Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

| | **Year Ended September 30, 2020 ($)** | Year Ended September 30, 2019 ($) |
|---|---|---|
| Management and consulting fees | **118,589** | 105,000 |
| Geological consulting fees | **17,160** | 9,000 |
| Share-based compensation | **1,357,944** | 321,900 |
| | **1,493,693** | 435,900 |

During the year ended September 30, 2020, the Company incurred management and consulting fees of $4,000 (year ended September 30, 2019 - $21,000) for accounting services provided by a company controlled by the Company's former CFO.

During the year ended September 30, 2020, the Company incurred management and consulting fees of $97,410 (year ended September 30, 2019 - $84,000) and geological consulting fees of $17,160 (year ended September 30, 2019 - $9,000) for services provided by a company controlled by the Company's CEO.

Management fees to the Company's CEO are paid pursuant to a 2018 consulting agreement under which Moss Exploration Services received a monthly fee of $8,000, increased to $9,000 as of April 1, 2019 and to $12,000 as of September 1, 2020. The Company can terminate the agreement with three months' notice, or payment of the fees during the termination period in lieu of notice.

For the year ended September 30, 2020, the Company paid or accrued $17,179, in professional fees (year ended September 30, 2019 - $nil) to Marrelli Support Services Inc. ("Marrelli") for Eric Myung, an employee of Marrelli, to act as the CFO of the Company. As at September 30, 2020, Marrelli was owed $1,471 (September 30, 2019 - $nil).

Amounts due to related parties are unsecured, non-interest bearing and due on demand.

## 7. Unproven mineral right interests

| | **September 30, 2020 ($)** | September 30, 2019 ($) |
|---|---|---|
| **Labrador Properties** | | |
| Acquisition | **1,174,952** | 1,174,952 |
| Deferred exploration | **4,311,730** | 4,260,378 |
| | **5,486,682** | 5,435,330 |
| **Borden Lake Property** | | |
| Acquisition | **314,185** | 314,185 |
| Deferred exploration | **612,209** | 602,176 |
| | **926,394** | 916,361 |
| **Kingsway Property** | | |
| Acquisition | **465,800** | - |
| Deferred exploration | **474,400** | - |
| | **940,200** | - |
| | **7,353,276** | 6,351,691 |

## 7. Unproven mineral right interests (continued)

Ownership in mineral right interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the ambiguous conveyance history of many mineral right interests. The Company has investigated ownership of its mineral right interests and, to the best of its knowledge, ownership of its interests are in good standing.

**Labrador Properties**

On September 5, 2017, the Company entered into a Letter of Intent ("LOI") that grants the Company the option to earn a 100% interest in the Ashuanipi, Nain and Hopedale properties, located in Labrador (the "Labrador Properties"). To exercise the option, the terms of which were amended December 7, 2020, the Company must complete the following:

- On receipt of TSX-V approval: payment of $75,000 and issuance of 450,000 shares in respect of each of the three Labrador Properties (completed);
- On or before September 5, 2018: payment of $100,000 and issuance of 300,000 shares in respect of each property (completed with the payment of $200,000 and issuance of 600,000 shares on the Ashuanipi and Hopedale properties, as the Company dropped its option on the Nain property);
- On or before September 5, 2019: payment of $75,000 and issuance of 175,000 shares in respect of the Ashuanipi property and payment of $150,000 and issuance of 350,000 shares in respect of the Hopedale property (paid and issued);
- On or before September 5, 2020: payment of $50,000 and issuance of 400,000 shares in respect of each of the Ashuanipi and Hopedale properties (completed with the payment of $100,000 and issuance of 800,000 shares on the Ashuanipi and Hopedale properties subsequent to September 30, 2020). (See Note 10);
- On or before September 5, 2021: payment of $100,000 and issuance of 675,000 shares in respect of the Ashuanipi property and payment of $100,000 and issuance of 500,000 shares in respect of the Hopedale property;
- On or before September 5, 2022: payment of $150,000 each in respect of each of the Ashuanipi and Hopedale properties; and
- On or before September 5, 2023: payment of $200,000 in respect of the Ashuanipi property and $125,000 in respect of the Hopedale property.

The vendors of the Labrador Properties retain a 2% net smelter return "(NSR") royalty, half of which may be bought back by the Company at any time for $2 million plus $1 per ounce of gold in measured and indicated resources. An advance royalty of $25,000 per annum for each property will be payable starting in 2024.

In January 2018, additional claims contiguous to the Ashuanipi property were staked and are being earned by the Company under the terms of the LOI.

In May 2018, additional claims at the Hopedale property were staked and are being earned by the Company under the terms of the LOI.

**Borden Lake Property**

The Company has a 100% undivided interest in the Borden Lake Property (the "Borden Lake Property") located near Chapleau Ontario. The 1,598hectare property lies immediately east of, and adjacent to, Newmont Goldcorp's Borden Lake gold project. The original vendors of the Borden Lake Property retain a 2% NSR royalty, half of which may be bought back by the Company for $1 million at any time.

## 7. Unproven mineral right interests (continued)

### Kingsway Property

On March 3, 2020, the Company acquired an option to earn a 100% interest in the Gander Property, subsequently renamed the Kingsway Property ("Kingsway"), near Gander, Newfoundland. To exercise the option, the Company must complete the following:

- As consideration for the option: payment of $250,000 and issuance of 400,000 common shares (paid and issued);
- On or before March 3, 2021: payment of $150,000 cash and issuance of 250,000 common shares;
- On or before March 3, 2022: payment of $150,000 cash and issuance of 300,000 common shares;
- On or before March 3, 2023: payment of $200,000 cash and issuance of 350,000 common shares;
- On or before March 3, 2024: payment of $250,000 cash and issuance of 400,000 common shares;
- On or before March 3, 2025: payment of $250,000 cash and issuance of 300,000 common shares;
- Incur $750,000 in expenditures on each of two licenses ($1.5 million total) over the first four years of the option; and
- Complete additional payments totaling $2.25 million based on exploration expenditures incurred, as follows:
  - $750,000 upon incurring an aggregate of $10 million in expenditures on one of the licenses;
  - $750,000 upon incurring an aggregate of $20 million in expenditures on one of the licenses; and
  - $750,000 upon incurring an aggregate of $30 million in expenditures on one of the licenses

The Company will also grant to the optionor a 1% NSR plus $1 per ounce of gold in the measured and indicated resources for the property. An advance royalty of $50,000 per annum for each property will be payable once the Company exercises the option.

On July 6, 2020, the Company entered into an option agreement to acquire 100% of License 023940M which is strategically positioned between the Kingsway North and South claim blocks.

The Company can earn an initial 75% undivided property interest by completing the following:

- Cash payment of $18,000 (paid) and issuance of 30,000 common shares (issued), within 5 business days of TSXV acceptance of the option agreement;
- Cash payment of $36,000, issuance of 90,000 common shares and incurring $100,000 in property work expenditures on or before the first anniversary of the option agreement;
- Cash payment of $75,000, issuance of 120,000 common shares and incurring an additional $250,000 (cumulative $350,000) in property work expenditures on or before the second anniversary of the option agreement; and
- Cash payment of $90,000, issuance of 150,000 common shares and incurring an additional $650,000 (cumulative $1 million) in property work expenditures on or before the third anniversary of the option agreement.

If the Company exercises the initial 75% option and satisfies all payment requirements, the Company has the option to acquire the remaining 25% interest by making a cash payment of $240,000 and incurring a further $1 million in property work expenditures on or before the fourth anniversary of the option agreement.

If the Company only exercises the option to earn an initial 75% property interest but does not exercise the option to acquire the remaining 25% interests, the parties will form an unincorporated joint venture.

**(Expressed in Canadian Dollars)**

## 8. Income tax

The reconciliation of income taxes at statutory rates is as follows:

| | **2020 ($)** | 2019 ($) |
|---|---|---|
| Loss before income taxes | **(2,048,908)** | (569,597) |
| Statutory tax rate | **30.00%** | 27.00% |
| Expected income tax (recovery) | **(614,672)** | (153,791) |
| Changes attributable to: | | |
| Net adjustment for amortization and non-deductible amounts | **391,381** | 91,836 |
| Unrecognized benefit of deferred tax assets | **223,291** | 61,955 |
| Deferred income tax provision | **-** | - |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The components of the Company's unrecognized deductible temporary differences are as follows:

| | **September 30, 2020 ($)** | September 30, 2019 ($) |
|---|---|---|
| Non-capital losses | **2,988,000** | 2,278,000 |
| Share issue costs | **323,121** | 153,343 |
| Unproven mineral interests | **1,760,480** | 2,197,381 |
| Capital losses | **1,540,946** | 1,540,946 |
| Unrecognized deductible temporary differences | **6,612,547** | 6,169,670 |

**(Expressed in Canadian Dollars)**

## 8. Income tax (continued)

As at September 30, 2020, the Company has available, non-capital losses of $2,988,000 (2019 - $2,278,000) for Canadian income tax purposes which may be carried forward to reduce taxable income in future periods. If not utilized, the non-capital losses will expire from 2026 - 2040 as follows:

| | ($) |
|---|---|
| 2026 | 294,000 |
| 2027 | 573,000 |
| 2028 | 163,000 |
| 2029 | 79,000 |
| 2031 | 86,000 |
| 2032 | 41,000 |
| 2033 | 60,000 |
| 2034 | 71,000 |
| 2035 | 58,000 |
| 2036 | 60,000 |
| 2037 | 80,000 |
| 2038 | 444,000 |
| 2039 | 270,000 |
| 2040 | 709,000 |
| | 2,988,000 |

## 9. Supplemental cash flow information

At September 30, 2020, net exploration costs included in amounts payable and accrued liabilities were $74,936 (2019 - $157,418).

During the year ended September 30, 2020, the Company:

- Issued $197,800 in shares for mineral property option payments (2019 - $99,750); and
- Issued $nil in shares issued to settle expenses (2019 - $9,971).

## 10. Subsequent events

On October 29, 2020, the Company closed a non-brokered private placement of 7,500,000 flow-through units at a price of $0.54 per flow-through unit, for gross proceeds of $4,050,000. Each flow-through unit consists of one flow-through common share and one share purchase warrant, with each warrant exercisable to acquire a common share at $0.60 until October 29, 2022. Palisades Goldcorp Ltd. purchased all of the flow-through units through a donation arrangement. As a result of the flow-through offering, Palisades Goldcorp has become an insider of the Company holding approximately 13.57% of the Company after giving effect to the offering. The Company paid a finder's fee of $180,000 in relation to the offering.

On December 7, 2020, the Company amended the terms of its option for the Labrador Properties, as disclosed in note 7. Subsequent to year end, the Company issued the vendors 400,000 common shares (800,000 total) and paid $50,000 cash ($100,000 total) in respect of each of the Ashuanipi and Hopedale properties.

**10. Subsequent events (continued)**

On October 8, 2020, the Company granted 450,000 share purchase options exercisable at a price of $0.45 per share until October 8, 2025.

On December 21, 2020, the Company granted 500,000 share purchase options exercisable at a price of $0.45 per share until December 21, 2025.

Subsequent to September 30, 2020, the Company received proceeds of $2,656,173 from the exercise of 8,932,929 warrants.

# LABRADOR GOLD CORP.
# MANAGEMENT'S DISCUSSION AND ANALYSIS

## YEARS ENDED SEPTEMBER 30, 2020 AND 2019

**Labrador Gold Corp.**
**Management's Discussion and Analysis**
**For the Year Ended September 30, 2020**

## Introduction

The following discussion and analysis of the results of operations and of the financial position of Labrador Gold Corp. ("Labrador Gold" or the "Company") is prepared as of January 28, 2021, and should be read in conjunction with the Company's condensed interim financial statements for the year ended September 30, 2020 and the Company's audited consolidated financial statements and the notes thereto for the year ended September 30, 2019.

The financial information presented herein is expressed in Canadian dollars, except where noted.

The Company's financial statements are reported under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

## Company Information

Labrador Gold is a company involved in the acquisition and exploration of prospective gold projects in the Americas and is publicly traded on the TSX Venture Exchange ("TSX-V"). To date, the Company has not earned significant revenues and is in the exploration stage.

On September 5, 2017, and as amended December 7, 2020, the Company entered into a Letter of Intent ("LOI") that grants the Company the option to earn a 100% interest in the Ashuanipi, Nain and Hopedale properties, located in Labrador (the "Labrador Properties"). The Company is meeting the terms of the LOI in respect of Ashuanipi and Hopedale but has dropped the Nain property. Additional claims adjacent to Ashuanipi and Hopedale were staked in fiscal 2018 and are being earned under the terms of the LOI.

In December 2017, the Company changed its name to Labrador Gold to reflect its corporate focus on gold exploration in Labrador and its commitment to the systematic exploration of the Labrador Properties for gold. The Company retained the services of Roger Moss, CEO of the Company, on a full-time basis to further this corporate objective.

The Company also holds a 100% interest in the Borden Lake Extension Property (the "Borden Lake Property") located near Chapleau, Ontario, Canada.

At September 30, 2020, the Company had cash of $6,298,629 (September 30, 2019 - $403,466) and working capital of $6,216,155 (September 30, 2019 - $270,648).

The Company does not anticipate generating significant revenues in the near future. As a result, the Company will be required to continue raising funds in order to finance its ongoing property evaluation program and general and administrative expenses. This will most likely be accomplished through the sale of equity.

## Highlights

On November 6, 2019, the Company extended the expiry date of 8,785,000 warrants exercisable at $0.30 to November 22, 2020.

On March 3, 2020, the Company acquired an option to earn a 100% interest in the Gander Property, subsequently renamed the Kingsway Property, ("Kingsway") near Gander, Newfoundland. The licenses consist of 264 claims covering an area of 6,600 hectares.

On June 18, 2020, the Company closed a non-brokered private placement with the sale of 4,000,000 flow-through units ("FT Units") of the company at $0.25 per FT Unit for gross proceeds of $1,000,000. Each FT Unit comprises one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.30 until June 18, 2022.

On June 25, 2020, the Company closed a non-brokered private placement with the sale of 24,571,429 units at $0.175 per unit for proceeds of $4,300,000. Each unit comprises one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $0.30 until June 25, 2022. The Company paid $211,610 in cash finders' fees and issued 1,179,043 broker warrants. Each broker warrant is exercisable at $0.175 until June 25, 2022 to acquire one common share.

On July 6, 2020, the Company announced that it has entered into an option agreement to acquire 100% of License 023940M (the “Property”) which is strategically positioned between the Kingsway North and South claim blocks in the emerging Gander gold belt. The acquisition of the Property increases the Company’s landholdings in the district to 308 claims or approximately 77 square kilometres.

On July 24, 2020, the Company announced that it had raised $2,039,233 from the exercise of share purchase warrants with an exercise price of $0.35 and $0.40 respectively.

On July 27, 2020, the Company granted 3,150,000 stock options to directors, officers and consultants of the Company. The stock options are exercisable at $0.45 per share for a period of five years.

On July 30, 2020, the Company announced that its common shares have been accepted for trading on the OTCQB, a U.S. stock market that is based in New York City and operated by OTC Markets Group. The shares began trading on the OTCQB under the ticker symbol "NKOSF".

On August 6, 2020, the Company announced that its field crew had arrived in Gander and started the 2020 exploration program on the Kingsway Property.

## Selected Annual Information

| | Year Ended September 30, 2020 | Year Ended September 30, 2019 | Year Ended September 30, 2018 |
|---|---|---|---|
| Total revenues | **$ -** | $ - | $ - |
| Net Loss | **(2,048,908)** | (569,597) | (621,110) |
| Loss per share | **(0.03)** | (0.01) | (0.02) |
| Diluted loss per share | **(0.03)** | (0.01) | (0.02) |

| At | September 30, 2020 | September 30, 2019 | September 30, 2018 |
|---|---|---|---|
| Total assets | **13,810,244** | 6,820,615 | 6,390,472 |
| Total long-term liabilities | **-** | - | - |
| cash dividends declared | **-** | - | - |

## Results of Operations

**Year ended September 30, 2020**

The year ended September 30, 2020 reported a net loss of $2,048,908 compared to $569,597 for the year ended September 30, 2019. The increase in net loss was mainly due to the decrease in share-based compensation during the current year.

During the year ended September 30, 2020, the Company incurred $465,800 in acquisition costs and $535,785 in deferred exploration expenses, capitalized as unproven mineral right interests.

From time to time, the Company may acquire or dispose of mineral right interests pursuant to the terms of option agreements. Since options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded as assets but as resource property costs or recoveries when the payments are made or received.

## Liquidity and Capital Resources

Labrador Gold is a development-stage company that currently does not generate significant revenues and does not anticipate doing so in the near future.

Labrador Gold held cash of $6,298,629 at September 30, 2020, compared to $403,466 at September 30, 2019.

At September 30, 2020, the Company had working capital of $6,216,155 (September 30, 2019 - $270,648).

The Company is not subject to debt covenants.

## Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

## Unproven Mineral Right Interests

Ownership in mineral right interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the ambiguous conveyance history of many mineral right interests. The Company has investigated ownership of its mineral right interests and, to the best of its knowledge, ownership of its interests are in good standing.

| | **September 30, 2020 ($)** | September 30, 2019 ($) |
|---|---|---|
| **Labrador Properties** | | |
| Acquisition | **1,174,952** | 1,174,952 |
| Deferred exploration | **4,311,730** | 4,260,378 |
| | **5,486,682** | 5,435,330 |
| **Borden Lake Property** | | |
| Acquisition | **314,185** | 314,185 |
| Deferred exploration | **612,209** | 602,176 |
| | **926,394** | 916,361 |
| **Kingsway Property** | | |
| Acquisition | **465,800** | - |
| Deferred exploration | **474,400** | - |
| | **940,200** | - |
| | **7,353,276** | 6,351,691 |

### Labrador Properties

On September 5, 2017, the Company entered into a Letter of Intent ("LOI") that grants the Company the option to earn a 100% interest in the Ashuanipi, Nain and Hopedale properties, located in Labrador (the "Labrador Properties"). The terms of the LOI are the following:

- On receipt of TSX-V approval: payment of $75,000 and issuance of 450,000 shares in respect of each of the three Labrador Properties (completed);
- On or before September 5, 2018: payment of $100,000 and issuance of 300,000 shares in respect of each property (completed with the payment of $200,000 and issuance of 600,000 shares on the Ashuanipi and Hopedale properties, as the Company dropped its option on the Nain property);

- On or before September 5, 2019: payment of $75,000 and issuance of 175,000 shares in respect of the Ashuanipi property and payment of $150,000 and issuance of 350,000 shares in respect of the Hopedale property (paid and issued);
- On or before September 5, 2020: payment of $50,000 and issuance of 400,000 shares in respect of each of the Ashuanipi and Hopedale properties (completed with the payment of $100,000 and issuance of 800,000 shares on the Ashuanipi and Hopedale properties subsequent to September 30, 2020);
- On or before September 5, 2021: payment of $100,000 and issuance of 675,000 shares in respect of the Ashuanipi property and payment of $100,000 and issuance of 500,000 shares in respect of the Hopedale property;
- On or before September 5, 2022: payment of $150,000 each in respect of each of the Ashuanipi and Hopedale properties; and
- On or before September 5, 2023: payment of $200,000 in respect of the Ashuanipi property and $125,000 in respect of the Hopedale property.

The vendors of the Labrador Properties retain a 2% net smelter return "(NSR") royalty, half of which may be bought back by the Company at any time for $2 million plus $1 per ounce of gold in measured and indicated resources. An advance royalty of $25,000 per annum for each property will be payable starting in 2024.

In January 2018, additional claims contiguous to the Ashuanipi property were staked and are being earned by the Company under the terms of the LOI.

In May 2018, additional claims at the Hopedale property were staked and are being earned by the Company under the terms of the LOI.

### Kingsway Property

On March 3, 2020, the Company announced it had acquired an option to earn a 100% interest in the Gander Property, subsequently renamed the Kingsway Property, ("Kingsway") near Gander, Newfoundland. To exercise the option, the Company must complete the following:

- As consideration for the option: payment of $250,000 and issuance of 400,000 common shares (paid and issued);
- On or before March 3, 2021: payment of $150,000 cash and issuance of 250,000 common shares;
- On or before March 3, 2022: payment of $150,000 cash and issuance of 300,000 common shares;
- On or before March 3, 2023: payment of $200,000 cash and issuance of 350,000 common shares;
- On or before March 3, 2024: payment of $250,000 cash and issuance of 400,000 common shares;
- On or before March 3, 2025: payment of $250,000 cash and issuance of 300,000 common shares;
- Incur $750,000 in expenditures on each of two licenses ($1.5 million total) over the first four years of the option; and
- Complete additional payments totaling $2.25 million based on exploration expenditures incurred, as follows:
  - $750,000 upon incurring an aggregate of $10 million in expenditures on one of the licenses;
  - $750,000 upon incurring an aggregate of $20 million in expenditures on one of the licenses; and
  - $750,000 upon incurring an aggregate of $30 million in expenditures on one of the licenses.

The Company will also grant a 1% NSR to the Vendor plus $1 per ounce of gold in a measured and indicated resource. An advance royalty of $50,000 per annum for each property will be payable starting in 2026.

### Borden Lake Property

The Company has a 100% undivided interest in the Borden Lake Property (the "Borden Lake Property") located near Chapleau Ontario. The 1,598-hectare property lies immediately east of, and adjacent to, Newmont-Goldcorp's Borden Lake gold project. The original vendors of the Borden Lake Property retain a 2% NSR royalty, half of which may be bought back by the Company for $1 million at any time.

## Exploration Activity –2020

Roger Moss, Ph.D, P.Geo, a Qualified Person under National Instrument 43101 has approved the scientific and technical disclosure in this Management's Discussion and Analysis, and has verified the data disclosed.

During the 2020 fiscal year, Labrador Gold completed exploration on the Labrador properties, acquired the Kingsway Gold Project near Gander Newfoundland and carried out a first stage exploration program on the Kingsway property.

### Hopedale

On November 22, 2019 Labrador Gold Corp announced the results of rock sampling at its Hopedale project in Labrador. The samples were taken over stratigraphy prospective for gold in the Florence Lake Greenstone Belt (FLGB). Sampling of eight prospective areas resulted in 201 rock samples with gold values ranging from below the detection limit of 5 parts per billion (ppb) to 8.26 grams per tonne (g/t) in selected grab samples. The highest gold values were from three samples taken at the site of a new mineralized showing discovered shortly after the start of field work. The showing is located approximately 500 metres north, and along strike of, the Thurber Dog gold occurrence where previous Labrador Gold rock sampling returned values up to 11.4 g/t Au. Mineralization is comprised of disseminated to semimassive pyrite and arsenopyrite hosted by felsic metavolcanic rocks with pervasive iron oxide alteration.

The Thurber Dog area stands out as the most consistently mineralized gold trend in the belt. Gold mineralization was found that fills in gaps along the three kilometre stretch of anomalous gold in both rock and soil. The discovery of the new gold showing during 2019 is the latest addition to what is turning into a prolific trend.

Highlights of 2019 rock sample assays – Hopedale Project.

| Sample ID | Easting | Northing | Sample Type* | Rock type | Mineralization | Au (ppb) | Area |
|---|---|---|---|---|---|---|---|
| 1702676 | 654781 | 6110696 | Grab | Quartz vein | Py, Apy | 8,263 | New Showing |
| 1710148 | 654778 | 6110691 | Grab | Felsic volcanic | Py, Apy | 1.672 | New Showing |
| 1710149 | 654781 | 6110696 | Grab | Felsic volcanic | Py, Apy | 2.831 | New Showing |
| 1710140 | 654745 | 6111249 | Grab | Chlorite schist | | 602 | Thurber Trend |
| 1695444 | 654628 | 6112280 | Grab | Ultramafic volcanic | Py | 114 | Thurber North |
| 1995433 | 654628 | 6112280 | Grab | Quartz vein | Py | 224 | Thurber North |
| 1705230 | 654996 | 6113663 | Grab | Mafic volcanic | Apy | 532 | Thurber Boundary |
| 1691224 | 647639 | 6100795 | Grab | Ultramafic volcanic | Apy, Py | 107 | Jasmine North |
| 1702687 | 648021 | 6098550 | Grab | Iron formation | Py | 388 | Jasmine South |
| 1705738 | 647074 | 6095318 | Grab | Quartz vein | | 134 | Misery North |
| 1702678 | 644914 | 6091661 | Grab | Quartz vein | Py | 488 | Misery |
| 1785270 | 643338 | 6085835 | Grab | Mafic volcanic | Py | 336 | Schist Lakes |

*Note that grab samples are select samples and are not necessarily representative of gold mineralization found on the property. Abbreviations: Py pyrite; Apy Arsenopyrite.

### Kingsway

Following a project review process undertaken during Q2-2020 the Company acquired three licenses comprising the Kingsway Gold Property in the Gander Area of Newfoundland. The licenses cover the northeastern extension of the Appleton fault zone which is associated with many of the gold showings in the district, including the late 2019 discovery of 92.86 g/t Au over 19 metres, on New Found Gold's Queensway project to the south. (Note that mineralization hosted on adjacent and/or nearby properties is not necessarily indicative of mineralization hosted on the Company's property).

Following the acquisition, the company undertook research into the geology and mineralization of the region and compiled the historical data from work on and around the area covered by the property. Most of this historical work was completed between 1989 and 2005 and results demonstrated significant gold anomalies in all media sampled including stream sediments, lake sediments, till, vegetation, soil and rock. Many of these anomalies occur along, or adjacent to the Appleton Fault Zone.

Highlights of the historical sampling are as follows:
Glacial till over the southern claim block showed gold values from below detection (<5ppb) to 89,000ppb (89g/t Au) in heavy mineral concentrates with 8 samples assaying over 10,000ppb (10g/t Au) anomalies extend over three kilometres along the Appleton fault zone.

Gold grains in till samples vary from 2 to 60 grains in fifteen samples. Analysis of the grains showed many of them to be subangular, suggesting that they are close to their source.

Subangular boulder of quartz vein containing visible gold which assayed 168 g/t Au was uncovered by trenching of the heavy mineral concentrate anomalies. Neither the source of the boulder nor of the gold grains has been found.

Exploration between 2017 and 2019 by Torq Resources and Shawn Ryan included over 1,758 till samples 3,724 vegetation (spruce tips) samples 2,381 till XRF samples and 2,958 soil samples taken over a 45km by 15km (675 square kilometre) area. This work resulted in the identification of an area of 66 square kilometres, covered by the Kingsway North and South licenses most prospective for gold. Till and vegetation sampling over the south claim block confirms the results of the historical work and identified new gold anomalies while the work on the northern claim block identified new gold anomalies associated with northnortheast trending magnetic lineaments. On both claim blocks there is a close association between the gold anomalies and the Appleton or Dog Bay structures.

Note that while the assays from the historical work presented here are considered accurate, they have not been verified by independent sampling.

Following receipt of permits for the proposed exploration, field work began on the Kingsway property in August 2020 and consisted of detailed soil geochemistry on 16 grids covering most of the licenses to follow up on results of the historical work as well as geological mapping and prospecting. A ground magnetic-VLF-EM survey and a controlled source audio magnetotelluric (CSAMT) survey were undertaken to target structures with the potential for localizing gold mineralization. In addition, a rotary air blast (RAB) drilling program began subsequent to the fiscal year end.

Results of exploration reported after year end include soil sampling, CSAMT (controlled source audio magnetotellurics) survey and rock sampling.

Results of the CSAMT survey carried out over the Appleton Fault Zone show a zone of extremely conductive rocks that appear to be bounded by ENE trending structures, one of which likely represents the trace of the Appleton Fault Zone. In addition, several northwest trending features are apparent that may represent faults crosscutting the ENE trending structures. Several resistive areas are also apparent that may reflect zones of silicification and/or quartz veining. Highly anomalous soil samples occur in both high and low resistive areas and significant anomalous clusters occur in areas of high resistivity close to intersections of interpreted structures.

Prospecting and mapping resulted in the discovery of two occurrences of visible gold found in a quartz vein named Big Vein. The vein has now been traced along strike to the northeast and southwest of the occurrences for over 400 metres. This lies within a larger quartz vein corridor of intermittent quartz veining that has been traced over 7.1 km adjacent to the Appleton Fault Zone.

Gold values in soil samples taken over the property range from below detection (<0.5ppb) to 9,946ppb (9.9g/t Au). The gold in soil anomalies tend to be associated with interpreted structures, including the Appleton Fault zone, Dog Bay line and splays or cross faults to these major crustal structures. The highest gold assay together with three other samples assaying greater than 1,000ppb (1g/t Au) occur between 100 and 300 metres to the southwest of the visible gold locations and suggest the potential for additional gold mineralization in this area.

Assays from 70 grab samples of rock taken over a 175 metre strike length of Big Vein northeast and southwest of the visible gold samples range from below detection (<5ppb) to 1,065 g/t Au in sample 526089 containing visible gold. In addition, 16 samples assayed over 1g/t Au and 39 samples assayed over 0.1g/t Au. Highlights of the results are given below.

Highlights of 2020 Big Vein sampling – Kingsway Project

| Sample ID | Sample Medium | Sample Type | Au (g/t) |
|---|---|---|---|
| 526089 | Subcrop | Grab* | 1,065.4 |
| 526073 | Outcrop | Grab | 16.1 |
| 526077 | Outcrop | Grab | 7.2 |
| 526090 | Angular Float | Grab | 5.4 |
| 526084 | Subcrop | Grab | 5.4 |
| 526111 | Subcrop | Grab | 5.3 |
| 526097 | Angular Float | Grab | 4.9 |
| 526113 | Subcrop | Grab | 3.8 |
| 1834193 | Outcrop | Grab | 3.2 |
| 526096 | Angular Float | Grab | 2.2 |
| 526075 | Subcrop | Grab | 2.1 |
| 526081 | Outcrop | Grab | 1.8 |
| 526076 | Outcrop | Grab | 1.7 |
| 1834191 | Outcrop | Grab | 1.6 |
| 526112 | Subcrop | Grab | 1.3 |
| 526114 | Subcrop | Grab | 1.3 |

*Note that grab samples are select samples and are not necessarily representative of gold mineralization found on the property.

Assays for the first nine of 28 holes (total of 588 metres) received from the rotary air blast (RAB) program indicated anomalous gold values (>0.1 g/t) in 5 holes, including a high of 0.84 g/t in hole KINRAB2006 drilled in the Midway area. Three of the remaining four holes did not intersect the target gabbro.

Due to restrictions related to the Coronavirus pandemic, no exploration was carried out at Hopedale or Ashuanipi during 2020.

## Summary of Quarterly Results (IFRS)

| | Quarter ended September 30, 2020 | Quarter ended June 30, 2020 | Quarter ended March 31, 2020 | Quarter Ended December 31, 2019 |
|---|---|---|---|---|
| Total revenue | $ - | $ - | $ - | $ - |
| Net loss | (1,825,145) | (136,390) | (49,775) | (37,598) |
| Loss per share | (0.02) | (0.00) | (0.00) | (0.00) |

| | Quarter ended September 30, 2019 | Quarter ended June 30, 2019 | Quarter ended March 31, 2019 | Quarter Ended December 31, 2018 |
|---|---|---|---|---|
| Total revenue | $ - | $ - | $ - | $ - |
| Net loss | (214,311) | (215,618) | (69,502) | (70,166) |
| Loss per share | (0.00) | (0.01) | (0.00) | (0.00) |

## Liquidity and Capital Resources

Labrador Gold is a development-stage company that currently does not generate significant revenues and does not anticipate doing so in the near future.

Labrador Gold held cash of $6,298,629 at September 30, 2020, compared to $403,466 at September 30, 2019.

The Company had working capital of $6,216,155 on September 30, 2020, compared of $270,648 on September 30, 2019.

The Company is not subject to debt covenants.

## Related Party Transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

As at September 30, 2020, the Company's related parties consist of a proprietorship controlled by the Company's Chief Executive Officer ("CEO"), a company controlled by the Company's former Chief Financial Officer ("CFO") and a company of which the Company's CFO is an employee.

| Entity | Nature of Transaction |
|---|---|
| Moss Explorations Services | Management |
| Delphis Financial Strategies Inc. | Management |
| Marrelli Support Services Inc. | Management |

The Company entered into the following transactions with related parties:

During the year ended September 30, 2020, the Company incurred management and consulting fees of $4,000 (year ended September 30, 2019 - $21,000) for accounting services provided by a company controlled by the Company's former CFO.

During the year ended September 30, 2020, the Company incurred management and consulting fees of $97,410 (year ended September 30, 2019 - $84,000) and geological consulting fees of $17,160 (year ended September 30, 2019 - $9,000) for services provided by a company controlled by the Company's CEO.

Management fees to the Company's CEO are paid pursuant to a 2018 consulting agreement under which Moss Exploration Services received a monthly fee of $8,000, increased to $9,000 as of April 1, 2019 and to $12,000 as of September 1, 2020. The Company can terminate the agreement with three months' notice, or payment of the fees during the termination period in lieu of notice.

For the year ended September 30, 2020, the Company paid or accrued $17,179, in professional fees (year ended September 30, 2019 - $nil) to Marrelli Support Services Inc. ("Marrelli") for Eric Myung, an employee of Marrelli, to act as the Company's CFO. As at September 30, 2020, Marrelli was owed $1,471 (September 30, 2019 - $nil).

Amounts due to related parties are unsecured, non-interest bearing and due on demand.

## Subsequent Events

On October 29, 2020, the Company closed a non-brokered private placement of 7,500,000 flow-through units at a price of $0.54 per flow-through unit, for gross proceeds of $4,050,000. Each flow-through unit consists of one flow-through common share and one share purchase warrant, with each warrant exercisable to acquire a common share at $0.60 until October 29, 2022. Palisades Goldcorp Ltd. purchased all of the flow-through units through a donation arrangement. As a result of the flow-through offering, Palisades Goldcorp has become an insider of the Company holding approximately 13.57% of the Company after giving effect to the offering. The Company paid a finder's fee of $180,000 in relation to the offering.

On December 7, 2020, the Company amended the terms of its option for the Labrador Properties. Subsequent to year end, the Company issued the vendors 400,000 common shares (800,000 total) and paid $50,000 cash ($100,000 total) in respect of each of the Ashuanipi and Hopedale properties.

On October 8, 2020, the Company granted 450,000 share purchase options exercisable at a price of $0.45 per share until October 8, 2025.

On December 21, 2020, the Company granted 500,000 share purchase options exercisable at a price of $0.45 per share until December 21, 2025.

Subsequent to September 30, 2020, the Company received proceeds of $2,656,173 from the exercise of 8,932,929 warrants.

## Critical Accounting Estimates

The most significant estimates are related to the physical and economic lives of unproven mineral right interests and their recoverability.

## Risk factors

### COVID-19 Risks

The worldwide emergency measures taken to combat the COVID-19 pandemic may continue, could be expanded, and could also be reintroduced in the future following relaxation. As governments implement monetary and fiscal policy changes aimed to help stabilize economies and capital markets, we cannot predict legal and regulatory responses to concerns about the COVID-19 pandemic and related public health issues and how these responses may impact our business. The COVID-19 pandemic, actions taken globally in response to it, and the ensuing economic downturn has caused significant disruption to business activities and economies. The depth, breadth and duration of these disruptions remain highly uncertain at this time. Furthermore, governments are developing frameworks for the staged resumption of business activities. As a result, it is difficult to predict how significant the impact of the COVID-19 pandemic, including any responses to it, will be on the global economy and our business. We have outlined these risks in more detail below.

## Other MD&A Requirements

As of January 27, 2021, the Company has outstanding a total of 110,687,104 shares, 7,460,000 options with a weighted average price of $0.30 per share and 35,872,543 warrants with a weighted average exercise price of $0.30 per share. Additional information is available at the Company’s website at www.labradorgold.com. To view the public documents of the Corporation, please visit the Corporation’s profile on the SEDAR website at www.sedar.com.

## Cautionary Statement on Forward Looking Information

This MD&A contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this MD&A. These forward-looking statements include but are not limited to, statements concerning:

- our strategies and objectives;
- prices and price volatility for commodities and of materials we use in our operations;
- the demand for and supply of commodities and materials that we use and plan to produce and sell;

- our financial resources;
- interest and other expenses;
- domestic laws affecting our operations;
- our tax position and the tax rates applicable to us;
- decisions regarding the timing and costs of construction and production with respect to, and the issuance of, the necessary permits and other authorizations required for any proposed projects;
- our planned future production levels;
- potential impact of production and transportation disruptions;
- our planned capital expenditures and estimates of costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be or become involved; and
- general business and economic conditions.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, delays associated with permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with our operations; risks of changes in laws affecting our operations or their interpretation; and risks associated with tax reassessments and legal proceedings.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates;
- changes in commodity prices;
- acts of government and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of commodities and products used in our operations;
- the timing of the receipt of permits and other regulatory and governmental approvals;
- changes in credit market conditions and conditions in financial markets generally;
- the availability of funding on reasonable terms;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- engineering and construction timetables and capital costs for our projects;
- costs of closure of various operations;
- market competition;
- the accuracy of our mine plan estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the resolution of environmental and other proceedings or disputes; and
- our ability to obtain, comply with and renew permits in a timely manner.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. Except as required by law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.

# LABRADOR GOLD CORP.

**(Formerly Nikos Explorations Ltd.)**

## FINANCIAL STATEMENTS

## SEPTEMBER 30, 2019 and 2018

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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# Independent Auditor's Report

To the Shareholders of Labrador Gold Corp. (formerly Nikos Exploration Ltd.)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Labrador Gold Corp. (formerly Nikos Exploration Ltd.) (the "Company"), which comprise the statements of financial position as at September 30, 2019 and 2018, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company is dependent on equity issuances to fund operations and has an accumulated deficit of $10,658,775 as at September 30, 2019. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Brad J. Waddell.

De Visser Gray LLP

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada
January 27, 2020

**LABRADOR GOLD CORP. (FORMERLY NIKOS EXPLORATIONS LTD)**
**STATEMENTS OF FINANCIAL POSITION**
**(Expressed in Canadian Dollars)**

| | Note | September 30, 2019 ($) | September 30, 2018 ($) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | 403,466 | 982,715 |
| Amounts receivable | | 53,772 | 274,178 |
| Prepaid expenses | | 11,686 | 1,722 |
| | | 468,924 | 1,258,615 |
| **Non-current assets** | | | |
| Unproven mineral right interests | 4, 7 | 6,351,691 | 5,131,857 |
| | | 6,820,615 | 6,390,472 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **Current liabilities** | | | |
| Amounts payable and accrued liabilities | 6 | 198,276 | 292,760 |
| **Shareholders' equity** | | | |
| Share capital | 4 | 16,179,249 | 15,438,380 |
| Share-based payments reserve | 4 | 1,101,865 | 748,510 |
| Deficit | | (10,658,775) | (10,089,178) |
| | | 6,622,339 | 6,097,712 |
| | | 6,820,615 | 6,390,472 |
| **Nature of operations and going concern** | 1 | | |
| **Subsequent events** | 11 | | |

**On behalf of the Board:**

"James Borland" — Director

"Trevor Boyd" — Director

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

**LABRADOR GOLD CORP. (FORMERLY NIKOS EXPLORATIONS LTD)**
**STATEMENTS OF COMPREHENSIVE LOSS**
**(Expressed in Canadian Dollars)**

| | Note | Year ended September 30, 2019 ($) | 2018 ($) |
|---|---|---|---|
| **EXPENSES** | | | |
| General and administration expenses | | | |
| Consulting and management fees | 6 | 105,000 | 98,375 |
| Office and miscellaneous | | 30,625 | 33,000 |
| Professional fees | | 22,603 | 40,323 |
| Regulatory and transfer fees | | 21,869 | 55,671 |
| Share-based compensation | 4, 6 | 353,354 | 314,120 |
| Shareholder communications | | 40,315 | 163,571 |
| | | 573,766 | 705,060 |
| **Loss before other items** | | (573,766) | (705,060) |
| **Other items** | | | |
| Other income | | 2,839 | - |
| Gain or forgiveness of debt | | 1,330 | 17,350 |
| | | 4,169 | 17,350 |
| **Loss before income taxes** | | (569,597) | (687,710) |
| Income tax recovery | | - | 66,600 |
| **Net loss and comprehensive loss** | | (569,597) | (621,110) |
| **Weighted average number of shares outstanding** | | 55,116,682 | 38,462,606 |
| **Basic and diluted loss per share** | | (0.01) | (0.02) |

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

**LABRADOR GOLD CORP. (FORMERLY NIKOS EXPLORATIONS LTD.)**
**STATEMENTS OF CHANGES IN EQUITY**
**(Expressed in Canadian Dollars)**

| | | Share Capital | | | | |
|---|---|---|---|---|---|---|
| | Note | No. of Shares | Amount ($) | Deficit ($) | Share-based payments reserve ($) | Total Shareholders' Equity ($) |
| Balance - October 1, 2017 | | 26,024,225 | 10,151,907 | (9,468,068) | 358,212 | 1,042,051 |
| Acquisition of unproven mineral right interests | 4,7 | 1,950,000 | 394,500 | - | - | 394,500 |
| Deferred exploration expenses settled with shares | 4 | 578,327 | 156,148 | - | - | 156,148 |
| Private placements, net of issue costs | 4 | 20,615,000 | 4,441,945 | - | 108,408 | 4,550,353 |
| Tax recovery on issuance of flow-through shares | | - | (66,600) | - | - | (66,600) |
| Exercise of options | 4 | 450,000 | 69,730 | - | (32,230) | 37,500 |
| Exercise of warrants | 4 | 1,975,000 | 290,750 | - | - | 290,750 |
| Share-based compensation | 4 | - | - | - | 314,120 | 314,120 |
| Net loss | | - | - | (621,110) | - | (621,110) |
| Balance - September 30, 2018 | | 51,592,552 | 15,438,380 | (10,089,178) | 748,510 | 6,097,712 |
| Balance - October 1, 2018 | | 51,592,552 | 15,438,380 | (10,089,178) | 748,510 | 6,097,712 |
| Acquisition of unproven mineral right interests | 4, 7 | 525,000 | 99,750 | - | - | 99,750 |
| Expenses settled with shares | 4 | 66,470 | 9,971 | - | - | 9,971 |
| Exercise of warrants | 4 | 4,855,000 | 631,150 | - | - | 631,150 |
| Share-based compensation | 4 | - | - | - | 353,354 | 353,354 |
| Net loss | | - | - | (569,597) | - | (569,597) |
| Balance - September 30, 2019 | | 57,039,022 | 16,179,251 | (10,658,775) | 1,101,864 | 6,622,340 |

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

**LABRADOR GOLD CORP. (FORMERLY NIKOS EXPLORATIONS LTD.)**
**STATEMENTS OF CASH FLOWS**
**(Expressed in Canadian Dollars)**

| | Year ended September 30, 2019 ($) | Year ended September 30, 2018 ($) |
|---|---|---|
| **CASH USED IN OPERATING ACTIVITIES** | | |
| Net loss | (569,597) | (621,110) |
| Items not affecting cash: | | |
| Share-based payments | 353,354 | 314,120 |
| Income tax recovery | - | (66,600) |
| Gain on forgiveness of debt | (1,330) | (17,350) |
| Changes in non-cash working capital items: | | |
| Amounts receivable | 221,706 | (239,689) |
| Prepaid expenses | (9,964) | (1,224) |
| Amounts payable and accrued liabilities | 3,514 | 22,195 |
| Net cash used in operating activities | (2,317) | (609,658) |
| **CASH PROVIDED BY FINANCING ACTIVITIES** | | |
| Issue of common shares for cash | 631,150 | 5,105,350 |
| Share issue costs | - | (226,747) |
| Net cash provided by financing activities | 631,150 | 4,878,603 |
| **CASH USED IN INVESTING ACTIVITIES** | | |
| Unproven mineral right interests - acquisition | (225,000) | (455,703) |
| Unproven mineral right interests - exploration | (983,082) | (2,971,486) |
| Net cash used in investing activities | (1,208,082) | (3,427,189) |
| **Increase (decrease) in cash** | (579,249) | 841,756 |
| **Cash, beginning of the year** | 982,715 | 140,959 |
| **Cash, end of the year** | 403,466 | 982,715 |

**Supplemental cash flow information (Note 10)**

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

Labrador Gold Corp. (formerly Nikos Explorations Ltd.) ("Labrador Gold" or the "Company") is a company involved in the acquisition and exploration of prospective gold projects in the Americas. It was incorporated under the Business Corporations Act (British Columbia) in 1987. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “LAB”. Its principal office is located at Suite 1260-355 Burrard Street, Vancouver, B.C. V6C 2G8, Canada.

The Company is focused in conducting gold exploration in the province of Labrador, Canada, and also has mineral right interests in Ontario, Canada. At the date of these financial statements, the Company has not yet determined whether any of its mineral interests contain economically mineral reserves. Accordingly, the carrying amount of its mineral right interests represents the cumulative acquisition costs and exploration expenditures incurred to date, which does not necessarily reflect present or future values. The recovery of these costs is dependent on the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to undertake continuing exploration and development, and to resolve any environmental, regulatory or other constraints.

These financial statements have been prepared on a going concern basis, which assume that the Company will be able to continue in operation for a reasonable period of time and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of several material adverse conditions as set out below that cast significant doubt on the validity of this assumption.

The Company is a mineral exploration company with a history of recurring losses and without a source of revenue. At September 30, 2019, the Company had no source of operating cash flow. Operations in recent years have been funded from the issuance of share capital and cash on hand.

Given its current stage of operations, the Company’s ability to continue as a going concern is contingent on its ability to obtain additional financing. In the event the Company is unable to raise adequate financing or meet its current obligations, the carrying value of the Company’s unproven mineral right interests could be subject to adjustments.

These financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated.

These financial statements were authorized for issue by the Board of Directors on January 27, 2020 and have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

## 2. BASIS OF PREPARATION

a) Basis of presentation

The financial statements have been prepared on an accrued basis and are based on the historical cost basis and modified where applicable.

(b) Adoption of new and revised standards and interpretations

Effective for annual periods beginning on or after January 1, 2019:

- IFRS 9, Financial Instruments – Adoption did not impact the Company's financial statements.

Effective for annual periods beginning on or after January 1, 2020:

- IFRS 16, Leases

The Company does not anticipate the adoption of this new standards to have a material impact on the Company's financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Use of judgments and estimates**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

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

Judgments

a) Unproven mineral right interests

The application of the Company's accounting policy for unproven mineral right interests requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is impaired with a corresponding charge to profit or loss in the period in which the new information becomes available.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Title to unproven mineral right interests

Although the Company has taken steps to verify title to its unproven mineral right interests, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Going concern

Critical judgement and estimates are applied for the determination that the Company will continue as a going concern for the next year.

Estimates

a) Share-based compensation:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date in which they are granted. Estimating fair values for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The model and assumptions used by the Company to estimate the fair value of share-based payments are disclosed in Note 4(c).

b) Income taxes:

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and highly liquid investments with an original maturity of three months or less, which are readily convertible into a known amount of cash. There were no cash equivalents at September 30, 2019 and 2018.

**Unproven mineral right interests**

All acquisition costs, exploration and direct field costs are capitalized into intangible assets until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights upon commissioning the property or written-off if the rights are disposed of, impaired or abandoned.

Management reviews the carrying amounts of mineral right interests on a periodic basis and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. Management’s assessment of the mineral right’s fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review. Administration costs and other exploration costs that do not relate to a specific mineral right are expensed as incurred.

Costs include the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option or joint venture agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

There may be material uncertainties associated with the Company's title and ownership of its unproven mineral interests. Ordinarily the Company does not own the land upon which an interest is located, and title may be subject to unregistered prior agreements or transfers or other undetected defects.

### Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of mineral right interests. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

### Income taxes

Income tax expense represents the sum of tax currently payable and deferred tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

<u>Deferred income tax</u>

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets for unused tax losses, tax credits and deductible temporary differences are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity or other comprehensive income ("OCI") is recognized in equity or OCI and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

### Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount, which is determined on a cost recovery basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued for goods or services, the share-based payment is measured at the fair value of the goods and services received. Where the consideration cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected in the computation of diluted earnings per share.

### Share capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for mineral right interests is based on the trading price of those shares on the TSX-V on the date of share issuance or other fair value equivalent amount as determined by the Board of Directors. Stock options and other equity instruments issued as purchase consideration in the non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Proceeds from unit placements are allocated between shares and warrants issued according to the residual value method.

### Basic loss per share

Basic loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

Effective September 1, 2018, the Company adopted IFRS 9 using the modified retrospective approach. IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities. The standard did not have an impact on the carrying amounts of the Company's financial instruments at the transition date. IFRS 9 uses a single approach to determine whether a financial asset classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principle and interest.

Most of the requirements in International Accounting Standard ('IAS') 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

### Reclamation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. Any increase in a provision due solely to passage of time is recognized as interest expense.

## 4. EQUITY

a) Share capital

Authorized share capital consists of an unlimited number of common shares without par value.

Fiscal 2019:

The Company received proceeds of $631,150 from the exercise of 4,855,000 warrants.

The Company entered into a shares-for-debt settlement with an arms' length party, in respect of online marketing services provided to the Company. Under the agreement, the Company issued an aggregate of 66,470 common shares valued at $9,971 to settle debt of $11,300 and recognized a gain on settlement of $1,330.

During the year, the Company issued 525,000 shares, valued at $99,750, for the acquisition of unproven mineral right interests at the Labrador Properties (Note 7).

Fiscal 2018:

On November 17, 2017, the Company received gross proceeds of $1,757,000 from the sale of 8,785,000 units priced at $0.20 per unit. Each unit consisted of one share and one warrant. Each warrant is exercisable into one additional share at a price of $0.30 for a two-year period. A further $20,000 was raised from the sale of 80,000 flow-through units at a price of $0.25 per unit. Each unit consisted of one flow-through common share and one non-flow through warrant. Each non-flow through warrant is exercisable into one additional share at a price of $0.35 for a two-year period. Finders fees comprised of $39,120 in cash and 285,600 warrants of the Company valued at $39,239 were issued in connection with this private placement.

On July 23, 2018, the Company received gross proceeds of $2,624,500 from the sale of 10,498,000 units priced at $0.25 per unit. Each unit consisted of one share and one-half warrant. Each whole warrant is exercisable into one additional share at a price of $0.35 for a two-year period. A further $375,600 was raised from the sale of 1,252,000 flow-through units at a price of $0.30 per unit. Each flow-through unit consisted of one flow-through common share and one-half non-flow through warrant. Each whole non-flow through warrant is exercisable into one additional share at a price of $0.40 for a two-year period. Finders fees comprised of $180,127 in cash and 440,844 warrants of the Company valued at $69,169 were issued in connection with this private placement. The Company also incurred $7,500 in share issuance expense.

During the year, the Company issued 1,950,000 shares, valued at $394,500, for the acquisition of unproven mineral right interests at the Labrador Properties (Note 7).

The Company received proceeds of $290,750 from the exercise of 1,975,000 warrants, and $37,500 from the exercise of 450,000 options. In conjunction with the options being exercised the Company reclassified $32,230 of previously recorded share-based compensation from share-based payments reserve to share capital.

The Company also entered into a shares-for-debt settlement with an arms' length party, in respect of exploration work provided to the Company on the Labrador Properties. Pursuant to the settlement, the Company issued an aggregate of 578,327 common shares to settle debt of $173,498 and recognized a gain on settlement of $17,350.

The Company recorded a reduction to share capital of $66,600 associated with the tax recovery booked in respect of flow-through financings undertaken during the year.

## 4. EQUITY (continued)

b) Equity reserve

Equity reserve consists of the accumulated fair value of common share options and share purchase warrants recognized as share-based payments.

c) Share options

On September 9, 2019, the Company granted 100,000 share purchase options to a consultant, of which 50,000 options vested upon grant and 50,000 options will vest on March 9, 2020. The options are exercisable at a price of $0.25 per share and have a five-year term to September 9, 2024.

The weighted average fair value of these options was estimated at $0.1792 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

- Weighted average share price: $0.19
- Weighted average exercise price: $0.25
- Dividend yield: 0%
- Risk-free interest rate: 1.37%
- Pre-vest forfeiture rate: 0%
- Expected life (years): 5 years
- Expected volatility: 196.35%

On May 15, 2019, the Company granted 1,600,000 share purchase options to directors, officers and consultants. The options vested upon grant, are exercisable at a price of $0.25 per share and have a five-year term to May 15, 2024.

The weighted average fair value of these options was estimated at $0.2146 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

- Weighted average share price: $0.22
- Weighted average exercise price: $0.25
- Dividend yield: 0%
- Risk-free interest rate: 1.54%
- Pre-vest forfeiture rate: 0%
- Expected life (years): 5 years
- Expected volatility: 201.56%

On December 13, 2017, the Company granted 1,620,000 share purchase options to directors, officers and consultants. The options vested upon grant, are exercisable at a price of $0.20 per share and have a five-year term to December 13, 2022.

**(Expressed in Canadian Dollars)**

## 4. EQUITY (continued)

The weighted average fair value of these options was estimated at $0.1939 per option at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

- Weighted average share price: $0.20
- Weighted average exercise price: $0.20
- Dividend yield: 0%
- Risk-free interest rate: 1.65%
- Pre-vest forfeiture rate: 0%
- Expected life (years): 5 years
- Expected volatility: 192.05%

The continuity of the number of share options outstanding is summarized as follows:

| | Number of Options | Weighted Average Exercise Price ($) |
|---|---|---|
| At September 30, 2017 | 1,610,000 | 0.09 |
| Granted | 1,620,000 | 0.20 |
| Exercised | (450,000) | 0.08 |
| At September 30, 2018 | 2,780,000 | 0.15 |
| Granted | 1,700,000 | 0.25 |
| At September 30, 2019 | 4,480,000 | 0.19 |
| Vested and exercisable | 4,430,000 | 0.19 |

A compensation cost of $353,354 associated with vested options was recognized during the year ended September 30, 2019 (2018: $314,120).

For the 450,000 options exercised during the year ended September 30, 2018, the weighted average closing share price at the date of exercise was $0.29.

At September 30, 2019, the weighted average exercise price of options outstanding was $0.19 (2018: $0.15) and their weighted average remaining contractual life was 3.47 years (2018: 3.74 years).

d) Warrants

Fiscal 2019:

The Company received proceeds of $631,150 from the exercise of 4,855,000 warrants.

A total of 500,000 warrants priced at $0.13 expired unexercised.

**(Expressed in Canadian Dollars)**

## 4. EQUITY (continued)

Fiscal 2018:

On November 22, 2017, the Company issued 8,785,000 warrants exercisable into one Company share at a price of $0.30, 285,600 finders' warrants at a price of $0.30 and 80,000 warrants exercisable into one Company share at a price of $0.35. These warrants have a term of two years.

On July 23, 2018 the Company issued 5,249,000 warrants exercisable into one Company share at a price of $0.35, 103,600 finders' warrants at a price of $0.35, 337,284 broker's warrants at a price of $0.40 and 626,000 warrants exercisable into one Company share at a price of $0.40. These warrants have a term of two years.

During the year ended September 30, 2018, the Company received proceeds of $290,750 from the exercise of 1,975,000 warrants.

The continuity of the number of warrants outstanding is summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| At September 30, 2017 | 7,480,000 | 0.13 |
| Granted | 15,466,484 | 0.32 |
| Exercised | (1,975,000) | 0.15 |
| At September 30, 2018 | 20,971,484 | 0.27 |
| Exercised | (4,855,000) | 0.13 |
| Forfeited | (500,000) | 0.13 |
| At September 30, 2019 | 15,616,484 | 0.32 |

## 5. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS

Financial risk management

The Company's activities expose it to a variety of financial risks, which include liquidity risk, interest rate risk, currency risk and credit risk.

a) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through close controls on cash requirements and regular updates to short-term cash flow projections, and by raising additional capital as required from time to time.

## 5. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS (continued)

The Company's financial liabilities fall due as indicated in the following table:

| At September 30, 2019 | Total | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years |
|---|---|---|---|---|---|
| Amounts payable and accrued liabilities | $ 198,276 | $ 198,276 | - | - | - |

| At September 30, 2018 | Total | Less than 1 year | years | years | Over 5 years |
|---|---|---|---|---|---|
| Amounts payable and accrued liabilities | $ 292,760 | $ 292,760 | - | - | - |

b) Currency risk

The Company is not exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and its functional currency is the Canadian Dollar. All of its cash is held in Canadian dollars and significantly all of the Company's costs are denominated in Canadian dollars.

c) Interest rate risk

The Company did not earn interest income on cash during the years ended September 30, 2019 and 2018. The Company has no outstanding debt subject to interest. Accordingly, the Company's management believes there currently is no interest rate risk for the Company.

d) Credit risk

The financial instrument that potentially subjects the Company to credit risk is cash, which is maintained with financial institutions in Canada and is redeemable on demand. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

Capital risk management

The Company's capital structure is comprised of working capital (current assets minus current liabilities) and equity. The Company's objectives when managing its capital structure are to maintain financial flexibility to preserve the Company's access to capital markets and its ability to meet its financial obligations. The Company's management is responsible for capital management. This involves the use of corporate forecasting models, which facilitate analysis of the Company's financial position including cash flow forecasts to determine the future capital management requirements.

As of September 30, 2019, the Company is managing its existing working capital to ensure that it will be able to meet current commitments.

Capital management is undertaken to ensure a secure, cost-effective supply of funds to ensure the Company's corporate and project requirements are met.

## 5. FINANCIAL AND CAPITAL RISK MANAGEMENT – FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

The Company's financial instruments consist of cash and amounts payable and accrued liabilities. Financial instruments are initially recognized at fair value with subsequent measurement depending on classification as described below. Classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Company's designation of such instruments.

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

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

The Company has made the following classifications for its financial instruments:

| | Fair value level | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| Fair value through profit or loss: | | | |
| Cash | 1 | 403,466 | 982,715 |

| | Fair value level | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| Loans and receivables at amortized cost: | | | |
| Amounts payable and accrued liabilities | 1 | 198,276 | 292,760 |

## 6. RELATED PARTY TRANSACTIONS

a. Trading transactions

The Company's related parties consist of a company controlled by the Company's Chief Executive Officer ("CEO") and a company controlled by the Company's Chief Financial Officer ("CFO").

| | Nature of Transaction |
|---|---|
| Moss Exploration Services | Management |
| Delphis Financial Strategies Inc. | Management |

The Company incurred the following fees in the normal course of operations in connection with the companies controlled by key management. Transactions have been measured at the exchange amount which is determined on a cost recovery basis.

**(Expressed in Canadian Dollars)**

## 6. RELATED PARTY TRANSACTIONS (continued)

| | Note | For the years ended September 30, | |
|---|---|---|---|
| | | 2019 | 2018 |
| Management and consulting fees | (i) | 105,000 | 87,225 |
| Geological consulting fees | (ii) | 9,000 | 6,375 |
| | | 114,000 | 93,600 |

i. During the year ended September 30, 2019, the Company incurred management and consulting fees of $21,000 (2018: $12,000) paid to a company controlled by the Company's CFO and $84,000 (2018: $75,225) for consulting fees paid to a company controlled by the Company's CEO.

ii. During the year ended September 30, 2019, the Company incurred geological consulting fees of $9,000 (2018: $6,375) paid to a company controlled by the Company's CEO.

iii. Management fees to the Company's CEO are paid pursuant to a consulting agreement under which Moss Exploration Services receives a monthly fee of $8,000. The Company can terminate the agreement with three months' notice, or payment of the fees during the termination period in lieu of notice.

iv. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

b. **Key Management Compensation**

The remuneration of members of key management during the year ended September 30, 2019 and 2018 is as follows:

| | Year ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Management and geological consulting fees | 114,000 | 93,600 |
| Share-based compensation | 321,900 | 294,730 |
| | 435,900 | 388,330 |

Share-based payments are the fair value of options vested to directors and key management.

**(Expressed in Canadian Dollars)**

## 7. UNPROVEN MINERAL RIGHT INTERESTS

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Labrador Properties | | |
| Acquisition | 1,174,952 | 850,203 |
| Deferred exploration | 4,260,378 | 3,366,009 |
| | 5,435,330 | 4,216,212 |
| Borden Lake Property | | |
| Acquisition | 314,185 | 314,185 |
| Deferred exploration | 602,176 | 601,460 |
| | 916,361 | 915,645 |
| | 6,351,691 | 5,131,857 |

Ownership in mineral right interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the ambiguous conveyance history of many mineral right interests. The Company has investigated ownership of its mineral right interests and, to the best of its knowledge, ownership of its interests are in good standing.

**Labrador Properties**

On September 5, 2017, the Company entered into a Letter of Intent ("LOI") that grants the Company the option to earn a 100% interest in the Ashuanipi, Nain and Hopedale properties, located in Labrador (the "Labrador Properties"). The terms of the LOI are the following:

- On receipt of TSX-V approval: payment of $75,000 and issuance of 450,000 shares in respect of each of the three Labrador Properties (completed);

- On or before September 5, 2018: payment of $100,000 and issuance of 300,000 shares in respect of each property (completed with the payment of $200,000 and issuance of 600,000 shares on the Ashuanipi and Hopedale properties, as the Company dropped its option on the Nain property);

- On or before September 5, 2019: payment of $150,000 and issuance of 350,000 shares in respect of each property (completed with the payment of $75,000 and issuance of 175,000 shares on the Ashuanipi property and payment of $150,000 and issuance of 350,000 shares on the Hopedale property);

- On or before September 5, 2020: payment of $175,000 and issuance of 400,000 shares in respect of each property; and

- On or before September 5, 2021: payment of $250,000 and issuance of 500,000 shares in respect of each property.

The vendors of the Labrador Properties retain a 2% net smelter return "(NSR") royalty, half of which may be bought back by the Company at any time for $2 million plus $1 per ounce of gold in measured and indicated resources. An advance royalty of $25,000 per annum for each property will be payable starting in 2023.

In January 2018, additional claims contiguous to the Ashuanipi property were staked and are being earned by the Company under the terms of the LOI.

In May 2018, additional claims at the Hopedale property were staked and are being earned by the Company under the terms of the LOI.

**(Expressed in Canadian Dollars)**

## 7. UNPROVEN MINERAL RIGHT INTERESTS

**Borden Lake Property**

The Company has a 100% undivided interest in the Borden Lake Property (the "Borden Lake Property") located near Chapleau Ontario. The 1,598-hectare property lies immediately east of, and adjacent to, Newmont-Goldcorp's Borden Lake gold project. The original vendors of the Borden Lake Property retain a 2% NSR royalty, half of which may be bought back by the Company for $1 million at any time.

The Company also entered into an option agreement to earn a 100% interest in six claims located to the south of the Property (the "Additional Claims"). The terms of the option were completed in the year ended September 30, 2017.

## 8. SEGMENTED INFORMATION

At September 30, 2019, the Company has one reportable operating segment, being mineral exploration.

The Company operates in one geographical area, being Canada.

## 9. INCOME TAXES

a) Income tax expense reported differs from the amount computed by applying the tax rates applicable to the Company to the loss before the tax provision due to the following:

| | 2019 ($) | 2018 ($) |
|---|---|---|
| Loss before taxes | (569,597) | (621,110) |
| Statutory tax rate | 27.00% | 26.75% |
| Expected income tax recovery | (153,791) | (166,147) |
| Changes attributable to: | | |
| Net adjustment for amortization and non-deductible amounts | 91,836 | 45,101 |
| Unrecognized benefit of non-capital losses | 61,955 | 54,446 |
| Total income tax recovery | - | (66,600) |

**(Expressed in Canadian Dollars)**

## 9. INCOME TAXES (continued)

b) The components of the Company's unrecognized deferred tax assets and liabilities are as follows:

| | 2019 ($) | 2018 ($) |
|---|---|---|
| Non-capital losses | 2,278,000 | 1,992,000 |
| Share issue costs | 153,343 | 207,764 |
| Unproven mineral right interests | 2,197,381 | 2,216,847 |
| Capital losses | 1,540,946 | 1,540,946 |
| Unrecognized deductible temporary differences | 6,169,670 | 5,957,557 |

At September 30, 2019 the Company has non-capital operating losses of approximately $2,278,000 (2018: $1,992,000) for deduction against future taxable income in Canada. The operating losses expire as follows:

| | $ |
|---|---|
| 2026 | 294,000 |
| 2027 | 573,000 |
| 2028 | 163,000 |
| 2029 | 79,000 |
| 2030 | - |
| 2031 | 86,000 |
| 2032 | 41,000 |
| 2033 | 60,000 |
| 2034 | 71,000 |
| 2035 | 58,000 |
| 2036 | 60,000 |
| 2037 | 80,000 |
| 2038 | 444,000 |
| 2039 | 269,000 |
| Total | 2,278,000 |

## 10. SUPPLEMENTAL CASH FLOW INFORMATION

At September 30, 2019, net exploration costs included in amounts payable and accrued liabilities were $157,418 (2018: $245,416).

During the year ended September 30, 2019, the Company:

a) Issued $99,750 in shares for option payments on mineral properties (2018: $394,500); and

b) Issued $9,971 in shares issued to settle expenses (2018: $156,148).

## 11. SUBSEQUENT EVENTS

In October 2019, the Company extended the expiry date of 8,785,000 warrants exercisable at $0.30 and 285,600 finders' warrants exercisable at $0.30 to November 22, 2020.

The following discussion and analysis of the results of operations and of the financial position of Labrador Gold Corp. ("Labrador Gold" or the "Company") is prepared as of January 27, 2020 and should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended September 30, 2019 ("fiscal 2019").

The financial information presented herein is expressed in Canadian dollars, except where noted.

The Company's financial statements are reported under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

## Overall Performance

Labrador Gold is a company involved in the acquisition and exploration of prospective gold projects in the Americas and is publicly traded on the TSX Venture Exchange ("TSX-V"). To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

On September 5, 2017, the Company entered into a Letter of Intent ("LOI") that grants the Company the option to earn a 100% interest in the Ashuanipi, Nain and Hopedale properties, located in Labrador (the "Labrador Properties"). The Company is meeting the terms of the LOI in respect of Ashuanipi and Hopedale but has dropped the Nain property. Additional claims adjacent to Ashuanipi and Hopedale were staked in fiscal 2018 and are being earned under the terms of the LOI.

In December 2017, the Company changed its name to Labrador Gold to reflect its corporate focus on gold exploration in Labrador and its commitment to the systematic exploration of the Labrador Properties for gold. The Company retained the services of Roger Moss, CEO of the Company, on a full-time basis to further this corporate objective.

The Company also holds a 100% interest in the Borden Lake Extension Property (the "Borden Lake Property") located near Chapleau, Ontario, Canada.

At September 30, 2019, the Company had cash of $403,466 (September 30, 2018: $982,715) and working capital of $270,648 (September 30, 2018: $965,855).

The Company does not anticipate generating significant revenues in the near future and as a result, it will be required to continue raising funds in order to finance its ongoing property evaluation program and general and administrative expenses. This will most likely be accomplished through the sale of equity.

In fiscal 2019, the Company received proceeds of $631,150 from the exercise of 4,855,000 warrants, entered into a shares-for-debt settlement with an arms' length party, in respect of online marketing services provided to the Company under which the Company issued an aggregate of 66,470 common shares valued at $9,971 to settle debt of $11,300 and recognized a gain on settlement of $1,330, and issued 525,000 shares, valued at $99,750, for the acquisition of unproven mineral right interests at the Labrador Properties.

In fiscal 2018, the Company received gross proceeds of $1,757,000 from the sale of 8,785,000 units priced at $0.20 per unit. Each unit consisted of one share and one warrant exercisable into one additional share at a price of $0.30 to November 22, 2020. A further $20,000 was raised from the sale of 80,000 flow-through units at a price of $0.25 per unit, each unit consisted of one flow-through common share and one non-flow through warrant exercisable into one additional share at a price of $0.35 to November 22, 2020. Finders fees comprised of $39,120 in cash and 285,600 warrants of the Company valued at $39,239 were issued in connection with this private placement.

Also in fiscal 2018, the Company received gross proceeds of $2,624,500 from the sale of 10,498,000 units priced at $0.25 per unit. Each unit consisted of one share and one-half warrant. Each whole warrant is exercisable into one additional share at a price of $0.35 to July 23, 2020. A further $375,600 was raised from the sale of 1,252,000 flow-through units at a price of $0.30 per unit. Each flow-through unit consisted of one flow-through common share and one-half non-flow through warrant. Each whole non-flow through warrant is exercisable into one additional share at a price of $0.40 to July 23, 2020. Finders fees comprised of $180,127 in cash and 440,844 warrants of the Company valued at $69,169 were issued in connection with this private placement. The Company also incurred $7,500 in share issuance expense.

In the same fiscal year, the Company issued 1,950,000 shares, valued at $394,500, for the acquisition of unproven mineral right interests at the Labrador Properties and received proceeds of $290,750 from the exercise of 1,975,000 warrants, and $37,500 from the exercise of 450,000 options. In conjunction with the options being exercised the Company reclassified $32,230 of previously recorded share-based compensation from share-based payments reserve to share capital. The Company also entered into a shares-for-debt settlement with an arms' length party, in respect of exploration work provided to the Company on the Labrador Properties. Pursuant to the settlement, the Company issued an aggregate of 578,327 common shares to settle debt of $173,498 and recognized a gain on settlement of $17,350. Finally, the Company recorded a reduction to share capital of $66,600 associated with the tax recovery booked in respect of flow-through financings undertaken during the year.

**Selected Annual Information**

| | **Year ended September 30, 2019** | **Year ended September 30, 2018** | **Year ended September 30, 2017** |
|---|---|---|---|
| Total revenues | $- | $- | $- |
| Net loss | (569,597) | (621,110) | (155,866) |
| Loss per share | (0.01) | (0.02) | (0.01) |
| Diluted loss per share | (0.01) | (0.02) | (0.01) |

| | **At September 30, 2019** | **At September 30, 2018** | **At September 30, 2017** |
|---|---|---|---|
| Total assets | $6,820,615 | $6,390,472 | $1,068,175 |
| Total long-term liabilities | - | - | - |
| Cash dividends declared | - | - | - |

**Results of Operations**

In fiscal 2019 Labrador Gold posted a net loss of $569,597 or $0.01 per share, compared to net loss of $621,110 ($0.02 per share) in fiscal 2018.

Expenses in fiscal 2019 included share-based compensation of $353,354 (2018: $314,120), shareholder communications of $40,315 (2018: $163,571), consulting and management fees of $105,000 (2018: $98,375), regulatory and transfer fees of $21,869 (2018: $55,671), professional fees of $22,603 (2018: $40,323) and office and miscellaneous expenses of $30,625 (2018: $33,000). In 2019, the Company also recorded other income of $2,839 ($nil in fiscal 2018) and a gain on forgiveness of debt of $1,330 (fiscal 2018: $17,350).

From time to time, the Company may acquire or dispose of mineral right interests pursuant to the terms of option agreements. Since options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded as assets but as resource property costs or recoveries when the payments are made or received.

## Unproven Mineral Right Interests

Ownership in mineral right interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the ambiguous conveyance history of many mineral right interests. The Company has investigated ownership of its mineral right interests and, to the best of its knowledge, ownership of its interests are in good standing.

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Labrador Properties | | |
| Acquisition | 1,174,952 | 850,203 |
| Deferred exploration | 4,260,378 | 3,366,009 |
| | 5,435,330 | 4,216,212 |
| Borden Lake Property | | |
| Acquisition | 314,185 | 314,185 |
| Deferred exploration | 602,176 | 601,460 |
| | 916,361 | 915,645 |
| | 6,351,691 | 5,131,857 |

### *Labrador Properties*

On September 5, 2017, the Company entered into a Letter of Intent ("LOI") that grants the Company the option to earn a 100% interest in the Ashuanipi, Nain and Hopedale properties, located in Labrador (the "Labrador Properties"). The terms of the LOI are the following:

- On receipt of TSX-V approval: payment of $75,000 and issuance of 450,000 shares in respect of each of the three Labrador Properties (completed);
- On or before September 5, 2018: payment of $100,000 and issuance of 300,000 shares in respect of each property (completed with the payment of $200,000 and issuance of 600,000 shares on the Ashuanipi and Hopedale properties, as the Company dropped its option on the Nain property);
- On or before September 5, 2019: payment of $150,000 and issuance of 350,000 shares in respect of each property (completed with the payment of $75,000 and issuance of 175,000 shares on the Ashuanipi property and payment of $150,000 and issuance of 350,000 shares on the Hopedale property);
- On or before September 5, 2020: payment of $175,000 and issuance of 400,000 shares in respect of each property; and

- On or before September 5, 2021: payment of $250,000 and issuance of 500,000 shares in respect of each property

The vendors of the Labrador Properties retain a 2% net smelter return "(NSR") royalty, half of which may be bought back by the Company at any time for $2 million plus $1 per ounce of gold in measured and indicated resources. An advance royalty of $25,000 per annum for each property will be payable starting in 2023.

In January 2018, additional claims contiguous to the Ashuanipi property were staked and are being earned by the Company under the terms of the LOI. The Company also staked additional claims contiguous to the Ashuanipi property.

In May 2018, additional claims at the Hopedale property were staked and are being earned by the Company under the terms of the LOI.

### *Borden Lake Property*

The Company has a 100% undivided interest in the Borden Lake Property located near Chapleau Ontario. The 1,598-hectare property lies immediately east of Goldcorp's Borden Lake gold project. The original vendors of the Borden Lake Property retain a 2% net smelter return ("NSR") royalty, half of which may be bought back by the Company for $1 million at any time.

The Company also entered into an option agreement to earn a 100% interest in six claims located to the south of the Property (the "Additional Claims"). The terms of the option were completed in the year ended September 30, 2017.

## Exploration Activity – Q4-2019

Roger Moss, Ph.D, P.Geo, a Qualified Person under National Instrument 43-101 has approved the scientific and technical disclosure in this MD&A, and has verified the data disclosed.

During Q4-2019, Labrador Gold conducted field work on the Hopedale and Ashuanipi properties in Labrador with the goal of outlining drill targets. Several specific target areas were highlighted on each property for detailed follow up.

### Hopedale Project, Eastern Labrador

At the Hopedale project, 30 kilometers southwest of the village of Hopedale, eight high gold potential areas were highlighted for follow up based on geology, geophysics and results of soil and rock sampling, including gold values from less than detection to 11.4 g/t in rock and up to 2.2 g/t in soil. The eight areas cover more than 30km of prospective stratigraphy along the Florence Lake greenstone belt. Anomalous gold in soil and rock occurs over strike lengths of 5km in the Thurber Dog area, 4.8km in the Misery area and 4km in the Jasmine area.

Follow up work started in July and included detailed geological mapping, rock sampling and magnetic-VLF geophysical surveys of the eight high potential areas. Sampling of the prospective areas resulted in 201 rock samples with gold values ranging from below the detection limit of 5 parts per billion (ppb) to 8.26 grams per tonne (g/t) in selected grab samples. The highest gold values were from three samples taken at the site of a new mineralized showing discovered shortly after the start of field work (see News Release dated July 26, 2019). The showing is located approximately 500 metres north, and along strike of, the Thurber Dog gold occurrence where previous Labrador Gold rock sampling returned values up to 7.87 g/t Au. Mineralization is comprised of disseminated to semi-massive pyrite and arsenopyrite hosted by felsic metavolcanic rocks with pervasive iron oxide alteration. The three samples from the occurrence assayed 1.67 g/t Au, 2.83 g/t Au and 8.26 g/t Au.

Anomalous gold values were also found in samples from elsewhere in the targeted areas and range from 0.11 g/t Au to 0.6 g/t Au. To date the company has collected 12,510 soil samples, 414 lake sediment samples and 834 rock samples along the length of the greenstone belt.

The area around the Thurber Dog showing continues to demonstrate excellent potential for gold mineralization over 900m of strike length which will be targeted during 2020 with detailed work followed by an initial drill program

**Ashuanipi Project, Western Labrador**

At the Ashuanipi project, located 35 kilometers south of the Quebec town of Schefferville, five areas of high gold potential were outlined ranging from 0.8 to 1.8km in length based on the gold in rock and soil samples. Gold values ranging from below detection to 2.5g/t in rock and 8.9g/t in soil occur within these five areas. The anomalous gold values are typically associated with magnetic highs, and not with specific rock types suggesting a structural control on the mineralization. Initial follow up work comprised of geological mapping, rock sampling, infill soil sampling and ground magnetic-VLF surveys over the areas began in late June.

The infill soil sampling defined an anomalous gold zone near the site of a soil sample taken in 2018 that assayed 8,973ppb gold. The anomalous zone measures approximately 450 metres by 450 metres and is defined by soil samples ranging from below detection up to 1,190ppb gold, in addition to the previous high-grade sample, and rock samples from below detection up to 2,353 ppb Au (2.35g/t). The 2.35g/t rock sample lies approximately 450m northwest of the high-grade soil sample within a 200m by 100m gold in soil anomaly with values ranging from 40ppb to 778ppb gold. The area was also covered by a ground magnetic and VLF-EM (very low frequency electromagnetic) survey.

A second area also shows potential, with rock samples grading from below detection to 0.68g/t gold and 10 samples showing values greater than 0.1g/t gold over an area of 200m by 120m within a larger anomalous area of gold in soil. The gold mineralization is associated with garnet-bearing gossanous gneiss. Further work in the area, including more detailed soil sampling and a VLF-magnetic survey will enable better definition of the anomalous zone.

Work on the Ashuanipi Project was halted following a request to stop further exploration received from members of the Matimekush-Lac John First Nation in Schefferville, Quebec. The company is currently waiting for the result of a court challenge to the election of the Matimekush-Lac John Chief and Council in order to resume discussions regarding restarting exploration at the Project.

**Summary of Quarterly Results (IFRS)**

| | Qtr. ended | Qtr. ended | Qtr. ended | Qtr. ended |
|---|---|---|---|---|
| | Sept. 30, 2019 | June 30, 2019 | March 31, 2019 | Dec. 31, 2018 |
| Total revenues | $- | $- | $- | $- |
| Net loss | (214,311) | (215,618) | (69,502) | (70,166) |
| Loss per share | - | (0.01) | - | - |
| Diluted loss per share | - | (0.01) | - | - |

| | Qtr. ended September 30, 2018 | Qtr. ended June 30, 2018 | Qtr. ended March 31, 2018 | Qtr. ended Dec. 31, 2017 |
|---|---|---|---|---|
| Total revenues | $- | $- | $- | $- |
| Net loss | (60,772) | (95,659) | (88,790) | (375,889) |
| Loss per share | (0.01) | - | - | (0.01) |
| Diluted loss per share | (0.01) | - | - | (0.01) |

**Liquidity and Capital Resources**

Labrador Gold is a development-stage company that currently does not generate significant revenues and does not anticipate doing so in the near future.

Labrador Gold held cash of $403,466 at September 30, 2019, compared to $982,715 at September 30, 2018.

The Company had working capital of $270,648 on September 30, 2019, compared of $965,855 on September 30, 2018.

The Company is not subject to debt covenants.

**Transactions with Related Parties**

As at September 30, 2019, the Company's related parties consist of a company controlled by the Company's Chief Executive Officer ("CEO") and a company controlled by the Company's Chief Financial Officer ("CFO").

| | Nature of Transaction |
|---|---|
| Moss Explorations Services | Management |
| Delphis Financial Strategies Inc. | Management |

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The Company entered into the following transactions with related parties:

i. During the year ended September 30, 2019, the Company incurred management and consulting fees of $21,000 (2018: $12,000) paid to a company controlled by the Company's CFO and $84,000 (2018: $75,225) paid to a company controlled by the Company's CEO.

ii. During the year ended September 30, 2019, the Company incurred geological consulting fees of $9,000 (2018: $6,375) paid to a company controlled by the Company's CEO.

iii. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

iv. Management fees to the Company's CEO are paid pursuant to a consulting agreement under which Moss Exploration Services receives a monthly fee of $8,000. The Company can terminate the agreement with three months' notice, or payment of the fees during the termination period in lieu of notice.

These transactions occurred in the normal course of operations and were measured at fair value as determined by management.

## Critical Accounting Estimates

The most significant estimates are related to the physical and economic lives of unproven mineral right interests, and their recoverability.

## Subsequent Events

In October 2019, the Company extended the expiry date of 8,785,000 warrants exercisable at $0.30 and 285,600 finders' warrants exercisable at $0.30 to November 22, 2020.

## Other MD&A Requirements

As of January 27, 2020, the Company has outstanding a total of 57,039,022 shares, 4,480,000 options with a weighted average exercise price of $0.19 per share and 15,616,484 warrants with a weighted average exercise price of $0.32 per share. Additional information is available at the Company's website at www.labradorgold.com. To view the public documents of the Corporation, please visit the Corporation's profile on the SEDAR website at www.sedar.com.

## Cautionary Statement on Forward Looking Information

This MD&A contains certain forward-looking information and statements as defined in applicable securities laws (collectively referred to as "forward-looking statements"). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this MD&A. These forward-looking statements include but are not limited to, statements concerning:

- our strategies and objectives;
- prices and price volatility for commodities and of materials we use in our operations;
- the demand for and supply of commodities and materials that we use and plan to produce and sell;
- our financial resources;
- interest and other expenses;
- domestic laws affecting our operations;
- our tax position and the tax rates applicable to us;
- decisions regarding the timing and costs of construction and production with respect to, and the issuance of, the necessary permits and other authorizations required for any proposed projects;
- our planned future production levels;
- potential impact of production and transportation disruptions;
- our planned capital expenditures and estimates of costs related to environmental protection;
- our future capital and production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of our operations;
- our financial and operating objectives;
- our environmental, health and safety initiatives;
- the outcome of legal proceedings and other disputes in which we may be or become involved; and
- general business and economic conditions.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans; risks generally encountered in the permitting and development of mineral projects such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, delays associated with permit appeals, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with labour disturbances and availability of skilled labour and management; fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining projects and properties; risks associated with lack of access to markets; risks associated with mine plan estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and changes in environmental legislation and regulation; risks associated with our dependence on third parties for the provision of critical services; risks associated with non-performance by contractual counterparties; title risks; social and political risks associated with our operations; risks of changes in laws affecting our operations or their interpretation; and risks associated with tax reassessments and legal proceedings.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- interest rates;
- changes in commodity prices;
- acts of government and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of commodities and products used in our operations;
- the timing of the receipt of permits and other regulatory and governmental approvals;
- changes in credit market conditions and conditions in financial markets generally;
- the availability of funding on reasonable terms;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations;
- our ability to attract and retain skilled staff;
- engineering and construction timetables and capital costs for our projects;
- costs of closure of various operations;
- market competition;
- the accuracy of our mine plan estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the resolution of environmental and other proceedings or disputes; and
- our ability to obtain, comply with and renew permits in a timely manner.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. Except as required by law, we undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise.