
LABRADOR GOLD CORP.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)

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, 2022 and 2021, 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, 2022 and 2021, 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.

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 James Roxburgh.

A handwritten signature in black ink that reads "De Visser Gray LLP". The signature is written in a cursive, flowing style.

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC, Canada
January 23, 2023

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

| | As at September 30, 2022 | As at September 30, 2021 |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 21,354,986 | \$ 33,245,743 |
| Amounts receivable | 559,637 | 456,079 |
| Prepaid expenses | 85,818 | 69,694 |
| Total current assets | 22,000,441 | 33,771,516 |
| Non-current assets | | |
| Equipment | 28,803 | 6,221 |
| Unproven mineral right interests (note 4) | 28,814,469 | 12,617,438 |
| Total assets | \$ 50,843,713 | \$ 46,395,175 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities (note 8) | \$ 926,799 | \$ 474,826 |
| Deferred flow-through premium liability (notes 5 and 6) | - | 1,144,254 |
| | 926,799 | 1,619,080 |
| Non-current | | |
| Deferred income tax liability (note 9) | 983,566 | - |
| Total liabilities | 1,910,365 | 1,619,080 |
| Shareholders' equity | | |
| Share capital (note 6) | 61,149,278 | 55,513,015 |
| Share-based payments reserve (note 6) | 4,419,099 | 4,713,305 |
| Deficit | (16,635,029) | (15,450,225) |
| Total shareholders' equity | 48,933,348 | 44,776,095 |
| Total liabilities and shareholders' equity | \$ 50,843,713 | \$ 46,395,175 |

The accompanying notes are an integral part of these financial statements

Nature of operations and going concern (note 1)
Subsequent events (notes 6 and 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)**

| | Year Ended September 30, 2022 | Year Ended September 30, 2021 |
|---|-------------------------------------|-------------------------------------|
| Operating expenses | | |
| Consulting and management fees (note 8) | \$ 212,655 | \$ 54,060 |
| Corporate development | 261,727 | 216,557 |
| Exploration and evaluation expenditures (note 4) | 450,000 | - |
| Office and miscellaneous | 70,763 | 62,613 |
| Professional fees (note 8) | 132,943 | 219,679 |
| Regulatory and transfer fees | 83,516 | 72,262 |
| Share-based compensation (note 6) | - | 1,035,310 |
| Shareholder communications | 34,849 | 46,205 |
| Amortization expense | 11,995 | 1,432 |
| Loss before other items | (1,258,448) | (1,708,118) |
| Other items | | |
| Flow-through premium (note 6) | 1,144,254 | 1,575,687 |
| Other income | 17,956 | 5,937 |
| Impairment of unproven mineral right interests (note 4) | (105,000) | (2,616,048) |
| Net loss before tax | (201,238) | (2,742,542) |
| Deferred income tax expense (note 9) | (983,566) | - |
| Net loss and comprehensive loss for the year | \$ (1,184,804) | \$ (2,742,542) |
| Basic and diluted net loss per share | \$ (0.01) | \$ (0.02) |
| Weighted average number of common shares outstanding | 159,050,274 | 116,643,944 |

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, 2022 | Year Ended September 30, 2021 |
|---|-------------------------------------|-------------------------------------|
| Operating activities | | |
| Net loss for the year | \$ (1,184,804) | \$ (2,742,542) |
| Adjustments for: | | |
| Deferred income tax expense | 983,566 | - |
| Share-based compensation | - | 1,035,310 |
| Flow-through premium | (1,144,254) | (1,575,687) |
| Amortization | 11,995 | 1,432 |
| Impairment of unproven mineral right interests | 105,000 | 2,616,048 |
| Changes in non-cash working capital items: | | |
| Amounts receivable | (103,558) | (383,001) |
| Prepaid expenses | (16,124) | 15,567 |
| Accounts payable and accrued liabilities | (91,248) | 104,713 |
| Net cash used in operating activities | (1,439,427) | (928,160) |
| Investing activities | | |
| Unproven mineral right interest - acquisition | (2,296,145) | (403,570) |
| Unproven mineral right interest - exploration | (12,364,665) | (6,224,549) |
| Purchase of equipment | (34,577) | (7,653) |
| Net cash used in investing activities | (14,695,387) | (6,635,772) |
| Financing activities | | |
| Issue of common shares for cash | - | 28,850,000 |
| Share issue costs | - | (283,534) |
| Exercise of options | 253,077 | 324,823 |
| Exercise of warrants | 3,990,980 | 5,619,757 |
| Net cash provided by financing activities | 4,244,057 | 34,511,046 |
| Net change in cash | (11,890,757) | 26,947,114 |
| Cash, beginning of year | 33,245,743 | 6,298,629 |
| Cash, end of year | \$ 21,354,986 | \$ 33,245,743 |
| Supplemental Information | | |
| Unproven mineral right interests included in accounts payable | \$ 792,398 | \$ 249,177 |
| Acquisition of unproven mineral interests | \$ 1,098,000 | \$ 422,250 |

The accompanying notes are an integral part of these financial statements

Labrador Gold Corp.
Statements of Changes in Equity
(Expressed in Canadian Dollars)

| | Share Capital Number | Share Capital Amount | Share-based payments reserve | Deficit | Total |
|---|-------------------------|-------------------------|------------------------------------|------------------------|----------------------|
| Balance, September 30, 2020 | 93,374,175 | \$ 23,561,123 | \$ 2,715,991 | \$ (12,707,683) | \$ 13,569,431 |
| Issuance of common shares in private placements | 38,166,667 | 28,850,000 | - | - | 28,850,000 |
| Flow-through premium | - | (2,675,000) | - | - | (2,675,000) |
| Share issue costs | - | (283,534) | - | - | (283,534) |
| Issuance of warrants | - | (1,333,333) | 1,333,333 | - | - |
| Options exercised | 1,000,256 | 565,496 | (240,673) | - | 324,823 |
| Warrants exercised | 18,352,142 | 5,483,643 | - | - | 5,483,643 |
| Broker units exercised | 777,793 | 266,770 | (130,656) | - | 136,114 |
| Acquisition of unproven mineral interests | 1,640,000 | 1,077,850 | - | - | 1,077,850 |
| Share-based compensation | - | - | 1,035,310 | - | 1,035,310 |
| Net loss for the year | - | - | - | (2,742,542) | (2,742,542) |
| Balance, September 30, 2021 | 153,311,033 | \$ 55,513,015 | \$ 4,713,305 | \$ (15,450,225) | \$ 44,776,095 |
| Options exercised | 789,743 | 480,384 | (227,307) | - | 253,077 |
| Warrants exercised | 13,070,953 | 3,921,286 | - | - | 3,921,286 |
| Broker units exercised | 398,250 | 136,593 | (66,899) | - | 69,694 |
| Acquisition of unproven mineral right interests | 1,620,000 | 1,098,000 | - | - | 1,098,000 |
| Net income for the year | - | - | - | (1,184,804) | (1,184,804) |
| Balance, September 30, 2022 | 169,189,979 | \$ 61,149,278 | \$ 4,419,099 | \$ (16,635,029) | \$ 48,933,348 |

The accompanying notes are an integral part of these financial statements

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

1. Nature of business and going concern

Labrador Gold Corp. ("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. Effective July 1, 2021, the Company filed Articles of Continuance to continue into Ontario and is now subject to the provisions of the Business Corporations Act (Ontario). The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "LAB" and the OTCQX Exchange in the United States under the symbol "NKOSF". Its principal office is located at 82 Richmond Street East, Toronto, ON, Canada M5C 1P1.

The Company is focused on conducting gold exploration in the province of Eastern Canada. At the date of these financial statements, the Company has not yet determined whether any of its mineral interests contain economic 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 is a mineral exploration company with a history of recurring losses and without a source of revenue. At September 30, 2022, 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. At September 30, 2022, the Company believes it has sufficient funds to finance its operations for the current fiscal year.

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 IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended September 30, 2022.

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 23, 2023.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

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.

(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.

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 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 6(c).

Labrador Gold Corp.
Notes to Financial Statements
For the Year Ended September 30, 2022
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Use of judgments and 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, 2022 and 2021.

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.

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.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Impairment of non-financial assets (continued)

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.

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.

Labrador Gold Corp.
Notes to Financial Statements
For the Year Ended September 30, 2022
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Income taxes (continued)

Deferred income tax (continued)

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.

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.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Share-based payments (continued)

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.

Flow-through common shares

The Company has issued common shares as flow-through shares, whereby the investor may claim the tax deductions arising from the related resource expenditures. When flow-through shares are issued, the sale of the tax deduction is valued (using the residual method) and deferred as a flow-through liability. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, the flow-through liability is reversed as a recovery on the statement of loss and comprehensive loss, and a deferred income tax liability is recognized.

Previously unrecognized deferred income tax assets may be used to reduce the deferred income tax liability amount recognized, and the Company will recognize a future income tax recovery to this extent.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Financial instruments

The following is the Company's accounting policy for financial instruments:

(i) Classification

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

The Company classifies its financial instruments as follows:

| | |
|--|----------------|
| Cash | Amortized cost |
| Amounts receivable (excluding sales taxes) | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |

(ii) Measurement

Financial assets and liabilities at amortized cost

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

Financial assets and liabilities at FVTPL

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

(iii) Impairment of financial assets at amortized cost

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

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

Financial instruments (continued)

(iv) Derecognition

Financial assets

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

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.

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.

Accounting standards anticipated to be effective

There are no new standards issued, but not yet effective, that are anticipated to have a material impact on the Company's financial statements.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

4. Unproven mineral right interests

| | Labrador Property | Borden Lake Property | Kingsway Property | Scotch Property | Total |
|-----------------------------|-------------------|----------------------|-------------------|-----------------|---------------|
| Balance, September 30, 2020 | \$ 5,486,682 | \$ 926,394 | \$ 940,200 | \$ - | \$ 7,353,276 |
| Acquisition | 358,395 | - | 392,850 | 17,570 | 768,815 |
| Deferred exploration | 31,110 | 3,741 | 6,369,794 | - | 6,404,645 |
| Recoveries | - | - | - | (8,000) | (8,000) |
| Impairment | (1,901,298) | - | - | - | (1,901,298) |
| Balance, September 30, 2021 | 3,974,889 | 930,135 | 7,702,844 | 9,570 | 12,617,438 |
| Acquisition | 161,425 | - | 3,204,260 | 28,460 | 3,394,145 |
| Deferred exploration | 272,168 | - | 12,138,173 | 563,377 | 12,973,718 |
| Recoveries | - | - | (57,772) | (8,060) | (65,832) |
| Impairment | - | (105,000) | - | - | (105,000) |
| Balance, September 30, 2022 | \$ 4,408,482 | \$ 825,135 | \$ 22,987,505 | \$ 593,347 | \$ 28,814,469 |

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 granted 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 on 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 (completed);
- 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);
- 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 (completed with the payment of \$100,000 and issuance of 500,000 shares on the Hopedale property, as the Company dropped its option on the Ashuanipi property);
- On or before September 5, 2022: payment of \$150,000 in respect of the Hopedale properties (completed); and
- On or before September 5, 2023: payment of \$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.

Labrador Gold Corp.
Notes to Financial Statements
For the Year Ended September 30, 2022
(Expressed in Canadian Dollars)

4. Unproven mineral right interests (continued)

Labrador Properties (continued)

In connection with the termination of the options to acquire the Nain and Ashuanipi properties, the Company impaired \$714,750 of acquisition costs and \$1,901,298 of exploration expenditures during the year ended September 30, 2021.

During the year ended September 30, 2022, the Company paid \$450,000 to the owner of the Ashuanipi property in lieu of expenditures required to maintain the property in good standing. This amount was directly expensed as exploration and evaluation expenditures in the statement of loss and comprehensive loss.

Borden Lake Property

The Company has a 100% undivided interest in the Borden Lake Property located near Chapleau, Ontario.

During the years ended September 30, 2022 and 2021, the Company allowed to lapse certain claims making up this property. In connection with the lapse of those claims, the Company wrote off \$105,000, being the historical capitalized maintenance fees associated with the claims that were allowed to lapse.

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.

Kingsway Property

On March 3, 2020, the Company acquired an option to earn a 100% interest in the Gander North and Gander South properties, subsequently renamed as the Kingsway Property, located in Newfoundland.

During the year ended September 30, 2022, the Company exercised the option and earned a 100% interest in the properties by completing the following:

- As consideration for the option: payment of \$250,000 and issuance of 400,000 common shares (completed);
- On or before March 3, 2021: payment of \$150,000 cash and issuance of 250,000 common shares (completed);
- On or before March 3, 2022: payment of \$150,000 cash and issuance of 300,000 common shares (completed);
- On or before March 3, 2023: payment of \$200,000 cash and issuance of 350,000 common shares (completed);
- On or before March 3, 2024: payment of \$250,000 cash and issuance of 400,000 common shares (completed);
- On or before March 3, 2025: payment of \$250,000 cash and issuance of 300,000 common shares (completed);
- Incur \$750,000 in expenditures on each of two licenses (\$1.5 million total) over the first four years of the option (completed); 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 (completed);
 - \$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 vendor of the Kingsway Property retained a 1% NSR royalty plus \$1 per ounce of gold in the measured and indicated resources for the property. An advance royalty of \$50,000 per annum will be payable commencing on March 3, 2026.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

4. Unproven mineral right interests (continued)

Kingsway Property (continued)

On July 6, 2020, the Company entered into an additional option agreement to acquire a 100% interest in License 023940M (the "License") which is strategically positioned between the Gander North and South claim blocks.

During the year ended September 30, 2022, the Company completed the option and earned a 100% undivided interest in the License by completing the following:

- Cash payment of \$18,000 and issuance of 30,000 common shares, within 5 business days of TSXV acceptance of the option agreement (completed);
- 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 (completed);
- 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 (completed);
- 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 (completed); and
- 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 (completed).

Scotch Property

In March 2021, the Company acquired a 100% undivided interest in the Scotch Property. The Scotch Property is located southwest of Moncton, New Brunswick and consists of 24 claims.

5. Liability and income tax effect on flow-through shares

Funds raised through the issuance of flow-through shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

During the year ended September 30, 2021, the Company issued an aggregate of 21,500,000 flow-through units for gross proceeds of \$13,850,000, and recognized total deferred flow-through premium liabilities of \$2,675,000. As at September 30, 2022, the Company had incurred the required qualifying flow-through expenditures and had reduced the deferred flow-through premium liability to \$nil (September 30, 2021 - \$1,144,254).

During the year ended September 30, 2022, the Company recognized a flow-through recovery of \$1,144,254 (year ended September 30, 2021 - \$1,575,687).

Labrador Gold Corp.
Notes to Financial Statements
For the Year Ended September 30, 2022
(Expressed in Canadian Dollars)

6. Equity

(a) Authorized

An unlimited number of common shares without par value

(b) Issued and outstanding

| | Number of common shares | Amount |
|--|-------------------------------|---------------|
| Balance, September 30, 2020 | 93,374,175 | \$ 23,561,123 |
| Private placements (i)(ii)(iii) | 38,166,667 | 28,850,000 |
| Flow through premium liability (i)(ii) | - | (2,675,000) |
| Share issuance costs (i)(ii) | - | (283,534) |
| Issuance of warrants (iii) | - | (1,333,333) |
| Options exercised (iv) | 1,000,256 | 565,496 |
| Warrants exercised (v) | 18,352,142 | 5,483,643 |
| Broker warrants exercised (v) | 777,793 | 266,770 |
| Acquisition of unproven mineral right interests (vi) | 1,640,000 | 1,077,850 |
| Balance, September 30, 2021 | 153,311,033 | 55,513,015 |
| Exercise of options (iv) | 789,743 | 480,384 |
| Warrants exercised (v) | 13,070,953 | 3,921,286 |
| Broker units exercised (v) | 398,250 | 136,593 |
| Acquisition of unproven mineral right interests (vi) | 1,620,000 | 1,098,000 |
| Balance, September 30, 2022 | 169,189,979 | \$ 61,149,278 |

(i) On October 29, 2020, the Company closed a non-brokered private placement with the sale of 7,500,000 flow-through units of the company at a price of \$0.54 per unit for gross proceeds of \$4,050,000. Each unit is comprised of 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 \$0.60 until October 29, 2022. In connection with the private placement, the Company incurred cash share issuance costs of \$202,110. The Company recognized the receipt of \$1,275,000 as a deferred flow-through premium liability.

(ii) On April 16, 2021, the Company closed a non-brokered private placement with the sale of 14,000,000 flow-through units of the company at a price of \$0.70 per unit for gross proceeds of \$9,800,000. Each unit is comprised of one common share of the Company and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.75 until April 16, 2023. In connection with the private placement, the Company incurred cash share issuance costs of \$81,424. The Company recognized the receipt of \$1,400,000 as a deferred flow-through premium liability.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

6. Equity (continued)

(b) Issued and outstanding (continued)

(iii) On May 18, 2021, the Company closed a non-brokered private placement with the sale of 16,666,667 units of the Company at a price of \$0.90 per unit for gross proceeds of \$15,000,000. Each unit is comprised of one common share of the Company and one half common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$1.05 until May 15, 2023. The Company allocated the receipt of \$1,333,333 to the fair value of the warrants.

(iv) During the year ended September 30, 2022, the Company received proceeds of \$253,077 from the exercise of 789,743 share purchase options (2021 - proceeds of \$324,823 from the exercise of 1,000,256 share purchase options). The fair value of \$227,307 (2021 - \$240,673) attributable to these options was transferred from share-based payments reserve to share capital upon exercise.

(v) During the year ended September 30, 2022, the Company received proceeds of \$3,990,980 from the exercise of 13,070,953 warrants and 398,250 brokers' warrants (2021 - proceeds of \$5,619,757 from the exercise of 18,352,142 warrants and 777,793 brokers' warrants). The fair value of \$66,899 (2021 - \$130,656) attributable to these broker warrants exercised was transferred from the share-based payments reserve to share capital upon exercise.

(vi) During the year ended September 30, 2022, the Company issued 1,620,000 shares, valued at \$1,098,000 in connection with the acquisition of mineral properties (2021 - 1,640,000 shares, valued at \$1,077,850).

(c) 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.

(d) Share purchase options

The following table reflects the continuity of stock options for the years ended September 30, 2022 and 2021:

| | Number of stock options | Weighted average exercise price |
|-----------------------------|----------------------------|--|
| Balance, September 30, 2020 | 6,510,000 | \$ 0.20 |
| Granted (i)(ii)(iii)(iv) | 1,850,000 | 0.72 |
| Exercised | (1,000,256) | 0.32 |
| Balance, September 30, 2021 | 7,359,744 | 0.37 |
| Cancelled | (450,001) | 0.51 |
| Exercised | (789,743) | 0.32 |
| Balance, September 30, 2022 | 6,120,000 | \$ 0.36 |

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

6. Equity (continued)

(d) Share purchase options (continued)

(i) On October 8, 2020, the Company granted 450,000 share purchase options to consultants, exercisable at a price of \$0.45 per share until October 8, 2025. A fair value of \$187,336 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$0.46; dividend yield - 0%; expected volatility - 148%; risk-free interest rate - 0.37%; and an expected life - 5 years. The options vested immediately upon grant.

(ii) On December 21, 2020, the Company granted 500,000 share purchase options to a consultant, exercisable at a price of \$0.45 per share until December 21, 2025. A fair value of \$158,674 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$0.36; dividend yield - 0%; expected volatility - 144%; risk-free interest rate - 0.44%; and an expected life - 5 years. The options vested immediately upon grant.

(iii) On March 24, 2021, the Company granted 300,000 share purchase options to a consultant, exercisable at a price of \$0.48 per share until March 24, 2026. A fair value of \$119,600 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$0.455; dividend yield - 0%; expected volatility - 138%; risk-free interest rate - 0.95%; and an expected life - 5 years. The options vested immediately upon grant.

(iv) On June 4, 2021, the Company granted 600,000 share purchase options to employees and consultants, exercisable at a price of \$1.24 per share until June 4, 2023. A fair value of \$569,700 was determined using the Black-Scholes valuation model. The following weighted average assumptions were used: share price - \$1.49; dividend yield - 0%; expected volatility - 119%; risk-free interest rate - 0.32%; and an expected life - 2 years. The options vested immediately upon grant.

During the year ended September 30, 2022, \$nil (2021 - \$1,035,310) was expensed to share-based compensation.

The following table reflects the share purchase options issued and outstanding as of September 30, 2022:

| Expiry Date | Exercise price (\$) | Remaining contractual life (years) | Number of options outstanding | Vested and exercisable |
|-----------------------|----------------------------|---|--------------------------------------|-------------------------------|
| December 13, 2022 (v) | 0.20 | 0.20 | 1,320,000 | 1,320,000 |
| May 15, 2024 | 0.25 | 1.62 | 1,300,000 | 1,300,000 |
| September 9, 2024 | 0.25 | 1.95 | 100,000 | 100,000 |
| July 27, 2025 | 0.45 | 2.82 | 3,150,000 | 3,150,000 |
| June 4, 2023 (vi) | 0.72 | 0.68 | 250,000 | 125,000 |
| | 0.36 | 1.90 | 6,120,000 | 5,995,000 |

(v) Subsequent to September 30, 2022, 820,000 options were exercised for gross proceeds of \$164,000 and 500,000 options expired unexercised.

(vi) On April 8, 2022, the Company re-priced 500,000 non-executive employee stock options, originally exercisable at \$1.24 per share, to \$0.72 per share.

Labrador Gold Corp.
Notes to Financial Statements
For the Year Ended September 30, 2022
(Expressed in Canadian Dollars)

6. Equity (continued)

(e) Share purchase warrants

The following table reflects the continuity of warrants for the years ended September 30, 2022 and 2021:

| | Number of warrants | Weighted average exercise price |
|-----------------------------|-----------------------|--|
| Balance, September 30, 2020 | 37,665,472 | \$ 0.30 |
| Issued | 22,833,333 | 0.81 |
| Exercised | (19,129,935) | 0.29 |
| Expired | (280,000) | 0.26 |
| Balance, September 30, 2021 | 41,088,870 | 0.58 |
| Exercised | (13,469,203) | 0.30 |
| Expired | (4,786,334) | 0.30 |
| Balance, September 30, 2022 | 22,833,333 | \$ 0.81 |

The following table reflects the share purchase warrants issued and outstanding as of September 30, 2022:

| Expiry Date | Exercise price (\$) | Number of warrants outstanding |
|----------------------|------------------------|--------------------------------------|
| October 29, 2022 (i) | 0.60 | 7,500,000 |
| April 16, 2023 | 0.75 | 7,000,000 |
| May 15, 2023 | 1.05 | 8,333,333 |
| | 0.81 | 22,833,333 |

(i) Subsequent to September 30, 2022, 7,500,000 warrants expired unexercised.

7. 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.

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

7. Financial and capital risk management - financial instruments (continued)

(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, 2022, 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.

8. 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, 2022 | Year Ended September 30, 2021 |
|----------------------------|-------------------------------------|-------------------------------------|
| Management fees | \$ 143,030 | \$ 54,060 |
| Directors' fees | 54,000 | - |
| Geological consulting fees | 74,970 | 195,880 |
| Professional fees | 42,027 | 34,569 |
| Share-based payments | - | 166,521 |
| | \$ 314,027 | \$ 451,030 |

Labrador Gold Corp.

Notes to Financial Statements

For the Year Ended September 30, 2022

(Expressed in Canadian Dollars)

8. Related party transactions (continued)

During the year ended September 30, 2022, the Company incurred management fees of \$143,030 (year ended September 30, 2021 - \$54,060) and geological consulting fees of \$74,970 (year ended September 30, 2021 - \$84,780) for services provided by a company controlled by the Company's CEO. As at September 30, 2022, \$3,161 (September 30, 2021 - \$nil) was due to the CEO, and is included in accounts payable and accrued liabilities with respect to the fees. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

Management fees were paid pursuant to a consulting agreement under which Moss Exploration Services Ltd. would receive a monthly fee of \$14,000 for a period from October 1, 2021 to September 30, 2022. The Company can terminate the agreement with three months' notice, or payment of the fees during the termination period in lieu of notice.

During year ended September 30, 2022, the Company incurred directors' fees of \$54,000 (year ended September 30, 2021 - \$nil) to its independent directors.

During the year ended September 30, 2022, the Company incurred geological consulting fees of \$nil (year ended September 30, 2021 - \$111,100) for the service provided by the Company's VP Exploration.

For the year ended September 30, 2022, the Company incurred \$42,027, in professional fees (year ended September 30, 2021 - \$34,569) to Marrelli Support Services Inc. ("Marrelli") for an employee of Marrelli to act as the CFO of the Company. As at September 30, 2022, \$2,618 (September 30, 2021 - \$1,503) was due to Marrelli, and is included in accounts payable and accrued liabilities with respect to the fees. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

9. Income tax

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

| | Year Ended September 30, 2022 | Year Ended September 30, 2021 |
|--|-------------------------------------|-------------------------------------|
| Loss before income taxes | \$ (201,238) | \$ (2,742,542) |
| Statutory tax rate | 26.50% | 30.00% |
| Expected income tax recovery | (53,328) | (822,763) |
| Changes attributable to: | | |
| Net adjustment for amortization and non-deductible amounts | (303,478) | (257,743) |
| Flow-through expenditures renounced | 2,146,499 | 1,920,531 |
| Effect of change in statutory rate | 106,470 | - |
| Change in deferred tax assets | (912,597) | (840,025) |
| Deferred income tax provision | \$ 983,566 | \$ - |

Labrador Gold Corp.
Notes to Financial Statements
For the Year Ended September 30, 2022
(Expressed in Canadian Dollars)

9. Income tax (continued)

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

| | September 30, 2022 | September 30, 2021 |
|--|-------------------------------|-------------------------------|
| Non-capital losses | \$ 4,792,550 | \$ 3,855,000 |
| Share issuance costs | 282,220 | 440,327 |
| Unproven mineral interests | (9,570,240) | (2,025,242) |
| Equipment | 13,427 | 1,432 |
| Capital losses | 770,473 | 770,473 |
| | (3,711,570) | 3,041,990 |
| Valuation allowance | - | (3,041,990) |
| Net deferred tax assets (liabilities) | \$ (3,711,570) | \$ - |

Prior to the year ended September 30, 2022, a full valuation allowance was taken against any deferred tax asset as it was not probable that future taxable profit would be available against which the Company could use the benefits.

As at September 30, 2022, the Company has available, non-capital losses of \$4,792,000 (2021 - \$3,855,000) 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 - 2042 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 | 744,000 |
| 2041 | 832,000 |
| 2042 | 937,000 |
| | \$ 4,792,000 |

10. Subsequent event

Subsequent to September 30, 2022, the Company issued 820,000 common shares pursuant to the exercise of stock options.