



KENORLAND MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(EXPRESSED IN CANADIAN DOLLARS)

TABLE OF CONTENTS

| | |
|--|----|
| Independent Auditor's Report | 2 |
| Financial Statements | |
| Consolidated Statements of Financial Position | 5 |
| Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) | 6 |
| Consolidated Statements of Changes in Shareholders' Equity | 8 |
| Consolidated Statements Cash Flows | 9 |
| Notes to Consolidated Financial Statements | 10 |

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Kenorland Minerals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Kenorland Minerals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, 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 consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 Consolidated Financial Statements

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

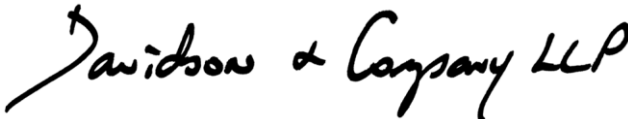
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Carmen Newnham.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

May 2, 2022

KENORLAND MINERALS LTD.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

| | Note | December 31, 2021 | December 31, 2020 |
|--|-------|----------------------|----------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash | | 9,418,796 | 12,544,941 |
| Receivables | 3 | 1,898,063 | 1,023,831 |
| Prepaid expenses | | 113,071 | 187,745 |
| | | 11,429,930 | 13,756,517 |
| Exploration advances | | - | 1,473 |
| Investment in equity instruments | 5 | 1,217,807 | 631,317 |
| Investment in associates | 6 | 1,217,157 | - |
| Exploration and evaluation assets | 7, 14 | 10,592,813 | 3,276,503 |
| Equipment | 8 | 9,597 | 15,383 |
| Right-of-use assets | 9 | 11,485 | 39,042 |
| | | 24,478,789 | 17,720,235 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 10 | 1,281,089 | 2,362,580 |
| Advances received | 7 | 1,985,290 | 1,448,588 |
| Current portion of lease liabilities | 9 | 12,475 | 28,499 |
| | | 3,278,854 | 3,839,667 |
| RSU liability | 12 | 610,456 | 420,620 |
| Government loans payable | 11 | 100,000 | 80,000 |
| Lease liabilities | 9 | - | 12,475 |
| | | 3,989,310 | 4,352,762 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 12 | 23,091,109 | 17,571,630 |
| Reserves | 12 | 2,635,983 | 2,164,534 |
| Deficit | | (5,237,613) | (6,368,691) |
| | | 20,489,479 | 13,367,473 |
| | | 24,478,789 | 17,720,235 |

Nature and continuance of operations (Note 1) and subsequent events (Note 21)

Approved and authorized for issuance by the Board of Directors on May 2, 2022.

"Jessica Van Den Akker"

Director

"Jay Sujir"

Director

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

KENORLAND MINERALS LTD.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

| | Note | For the year ended December 31, | |
|--|------|---------------------------------|-------------|
| | | 2021 | 2020 |
| | | \$ | \$ |
| Revenue | | 2,000,468 | 631,186 |
| Operating expenses | | | |
| Conference and marketing | | 559,864 | 60,329 |
| Consulting | | 105,396 | 120,072 |
| Depreciation | 8, 9 | 33,343 | 31,992 |
| Foreign exchange loss | | 53,014 | 68 |
| Insurance | | 59,622 | 14,363 |
| Interest on lease liabilities | 9 | 1,965 | 3,887 |
| Management fees | 14 | 117,000 | - |
| Office expenses | | 106,433 | 55,771 |
| Professional fees | | 475,359 | 673,194 |
| Project generation | | 186,423 | 18,070 |
| Salaries and benefits | 14 | 863,853 | 359,704 |
| Share-based compensation | 12 | 868,839 | 887,079 |
| Transfer agent and filing fees | | 83,929 | - |
| Travel and related | | 15,050 | 17,945 |
| | | (3,530,090) | (2,242,474) |
| Income (loss) from operations | | (1,529,622) | (1,611,288) |
| Other income (expenses) | | | |
| Gain on sales of mineral claims | 5, 7 | 1,086,374 | 77,715 |
| Interest and other income | | 1,233 | 11,434 |
| Gain on deconsolidation | 6 | 839,098 | - |
| Dilution gain from investment in associates | 6 | 426,098 | - |
| Net change in fair value of equity investments | 4, 5 | (78,758) | 780,734 |
| Gain on sale of equity investments | 5 | 417,117 | - |
| Equity loss in associated companies | 6 | (153,941) | - |
| Listing expenses | 4 | - | (4,415,932) |
| Loss on cancellation of shares and warrants | 4 | - | (1,035,378) |
| | | 2,537,221 | (4,581,427) |
| Income (loss) for the year | | 1,007,599 | (6,192,715) |
| Income (loss) attributable to: | | | |
| Shareholders of the Company | | 1,111,664 | (6,192,715) |
| Non-controlling interest | 15 | (104,065) | - |
| Income (loss) for the year | | 1,007,599 | (6,192,715) |

Earnings (loss) per common share (Note 13)

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

KENORLAND MINERALS LTD.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

| | For the year ended December 31, | |
|---|---------------------------------|--------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Income (loss) for the year | 1,007,599 | (6,192,715) |
| Other comprehensive income (loss) | | |
| Foreign currency translation adjustment | - | (306) |
| Comprehensive income (loss) for the year | 1,007,599 | (6,193,021) |
| Comprehensive income (loss) attributable to: | | |
| Shareholders of the company | 1,111,664 | (6,193,021) |
| Non-controlling interest | (104,065) | - |
| Comprehensive income (loss) for the year | 1,007,599 | (6,193,021) |

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

KENORLAND MINERALS LTD.

 Consolidated Statements of Changes in Shareholders' Equity
 (Expressed in Canadian Dollars)

| | Number of Shares Issued | Share Capital | Reserves | Accumulated Other Comprehensive Income | Deficit | Non- Controlling Interest | Total Shareholders' Equity |
|--|-------------------------------|-------------------|------------------|---|--------------------|---------------------------------|----------------------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2019 | 26,140,002 | 2,058,329 | 235,275 | 306 | (175,976) | - | 2,117,934 |
| Shares issued for cash | 4,078,000 | 1,019,500 | - | - | - | - | 1,019,500 |
| Options exercised | 200,000 | 24,404 | (9,404) | - | - | - | 15,000 |
| Shares issued for subscription receipts | 10,000,000 | 10,000,000 | - | - | - | - | 10,000,000 |
| Share issuance costs | - | (562,555) | - | - | - | - | (562,555) |
| Broker warrants issued | - | (123,183) | 123,183 | - | - | - | - |
| Shares issued for RTO | 5,055,135 | 5,055,135 | - | - | - | - | 5,055,135 |
| Stock options issued for RTO | - | - | 196,983 | - | - | - | 196,983 |
| Warrants issued for RTO | - | - | 1,228,201 | - | - | - | 1,228,201 |
| Restricted share units vested | 100,000 | 100,000 | - | - | - | - | 100,000 |
| Share-based compensation | - | - | 390,296 | - | - | - | 390,296 |
| Foreign exchange on translation | - | - | - | (306) | - | - | (306) |
| Loss for the year | - | - | - | - | (6,192,715) | - | (6,192,715) |
| Balance, December 31, 2020 | 45,573,137 | 17,571,630 | 2,164,534 | - | (6,368,691) | - | 13,367,473 |
| Shares issued for cash | 5,211,945 | 5,211,945 | - | - | - | - | 5,211,945 |
| Share issuance costs | - | (50,586) | - | - | - | - | (50,586) |
| Options exercised | 710,000 | 150,856 | (63,856) | - | - | - | 87,000 |
| Warrants exercised | 72,622 | 86,749 | (35,912) | - | - | - | 50,837 |
| Warrants expired | - | 88,372 | (88,372) | - | - | - | - |
| Shares issued for exploration and evaluation assets | 35,714 | 32,143 | - | - | - | - | 32,143 |
| Share-based compensation | - | - | 679,003 | - | - | - | 679,003 |
| Options cancelled | - | - | (19,414) | - | 19,414 | - | - |
| Non-controlling interest | - | - | - | - | - | 104,065 | 104,065 |
| Income for the year | - | - | - | - | 1,111,664 | (104,065) | 1,007,599 |
| Balance, December 31, 2021 | 51,603,418 | 23,091,109 | 2,635,983 | - | (5,237,613) | - | 20,489,479 |

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

KENORLAND MINERALS LTD.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

| | For the year ended December 31, | |
|--|---------------------------------|-------------------|
| | 2021 | 2020 |
| Cash flows used in operating activities | \$ | \$ |
| Net income (loss) for the year | 1,007,599 | (6,192,715) |
| Adjustments for items not affecting cash: | | |
| Depreciation | 33,343 | 31,992 |
| Gain on deconsolidation | (839,098) | - |
| Net change in fair value of equity investments | 78,758 | (780,734) |
| Gain on sale of equity investments | (417,117) | - |
| Gain on sales of mineral claims | (1,086,374) | (77,715) |
| Share-based compensation | 868,839 | 887,079 |
| Dilution gain from investment in associates | (426,098) | - |
| Interest on lease liabilities | 1,965 | 3,887 |
| Equity loss in associated companies | 153,941 | - |
| Loss on cancellation of shares and warrants | - | 1,035,378 |
| Listing expenses | - | 4,415,932 |
| Change in non-cash working capital items | | |
| Receivables | (874,260) | (641,887) |
| Prepaid expenses | 74,221 | (125,068) |
| Accounts payable and accrued liabilities | (1,619,124) | 1,591,656 |
| | (3,043,405) | 147,805 |
| Cash flows used in investing activities | | |
| Exploration and evaluation assets expenditures | (18,703,821) | (8,327,963) |
| Advances received for exploration and evaluation assets expenditures | 12,232,813 | 9,002,699 |
| Option proceeds received | 250,000 | - |
| Purchase of equipment | - | (16,020) |
| Cash acquired on consolidation of investment | 287,951 | - |
| Investment in equity instruments | - | (150,000) |
| Investment in associates | (225,000) | - |
| Cash acquired from acquisition | - | 532,057 |
| Cash eliminated on deconsolidation | (42,532) | - |
| Proceeds from sales of equity instruments | 829,117 | - |
| | (5,371,472) | 1,040,773 |
| Cash flows provided by financing activities | | |
| Shares issued for cash | 5,211,945 | 11,019,500 |
| Share issuance costs | (50,586) | (379,800) |
| Options exercised | 87,000 | 15,000 |
| Warrants exercised | 50,837 | - |
| Repayment of lease liabilities | (30,464) | (30,464) |
| Government loans payable | 20,000 | 80,000 |
| | 5,288,732 | 10,704,236 |
| Effect of foreign exchange on cash | - | (7,342) |
| Change in cash during the year | (3,126,145) | 11,885,472 |
| Cash, beginning of the year | 12,544,941 | 659,469 |
| Cash, end of the year | 9,418,796 | 12,544,941 |

Supplemental disclosure with respect to cash flows (Note 18)

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

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Kenorland Minerals Ltd. (the "Company" or "Kenorland"), formerly Northway Resources Corp. ("Northway"), is the legal parent company of Kenorland Minerals North American Ltd. ("KNA"), formerly Kenorland Minerals Ltd. The Company was incorporated on May 29, 2018 under the Business Corporations Act of British Columbia. Its principal business activity is the acquisition and exploration of mineral properties. The head office of the Company is located at 310 – 119 West Pender Street, Vancouver B.C., V6B 1S5 and the registered and records office of the Company is located at 2080 – 777 Hornby Street, Vancouver B.C., V6Z 1S4. The Company is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "KLD.V". In April 2021, the Company commenced trading on the Frankfurt Stock Exchange under the trading symbol "3WQ0". In August 2021, the Company commenced trading on the OTCQX under the trading symbol "NWRCF".

On December 31, 2020, the Company completed its reverse takeover transaction with KNA by way of plan of arrangement under the Business Corporations Act (British Columbia) (the "RTO"). Pursuant to the RTO, KNA was acquired by and became a wholly-owned legal subsidiary of Northway. As part of the RTO, on December 31, 2020, Northway changed its name to Kenorland Minerals Ltd. and KNA changed its name to 1265114 BC Ltd. (subsequently changed to Kenorland Minerals North America Ltd.).

Prior to completing the RTO, Northway consolidated its share capital, consisting of issued common shares, warrants and stock options, on the basis of one post-consolidation common share of Northway (each, a "Northway Share") for every seven common shares of Northway existing immediately before the consolidation (the "Consolidation"). The shareholders of KNA then exchanged their common shares of KNA for post-Consolidation Northway Shares on a one common share of KNA for two post-Consolidation Northway Shares. As a result of the RTO, the former shareholders of KNA acquired control of the Company. Likewise, all outstanding stock options and restricted share units of KNA were converted for stock options and restricted share units of Northway on the same basis. In addition, all Northway shares and warrants held by KNA prior to the RTO were cancelled without any repayment of capital. For accounting purposes, KNA is considered the acquirer and the Company, the acquiree. Accordingly, the consolidated financial statements are in the name of Kenorland Minerals Ltd.; however, they are a continuation of the financial statements of KNA (Note 4).

The Company's exploration and evaluation assets are at the exploration stage and are without a known body of commercial ore. The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The amounts shown as exploration and evaluation assets costs represent acquisition, holding and deferred exploration costs and do not necessarily represent present or future recoverable values. The recoverability of the amounts shown for exploration and evaluation assets costs is dependent upon the Company obtaining the necessary financing to complete the exploration and development of the properties, the discovery of economically recoverable reserves and future profitable operations.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2021, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its exploration activities and raise equity capital or borrowings sufficient to meet current and future obligations. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Management estimates its current working capital will be sufficient to fund its current level of activities for the next twelve months.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Statement of compliance

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

Basis of presentation

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

| Name | Jurisdiction | Percentage owned | |
|---------------------------------------|--------------|-------------------|-------------------|
| | | December 31, 2021 | December 31, 2020 |
| 1223437 B.C. Ltd. | Canada | 100% | 100% |
| Northway Resources Alaska Corporation | USA | 100% | 100% |
| 1223615 B.C. Ltd. | Canada | 0% | 100% |
| Northway Napoleon Corporation | USA | 0% | 100% |
| Kenorland Minerals North America Ltd. | Canada | 100% | 100% |
| 1118892 B.C. Ltd. ("1118892") | Canada | 100% | 100% |
| Kenorland Minerals USA Inc. ("KUSA") | USA | 100% | 100% |
| 1255141 B.C. Ltd. | Canada | 20% | 50% |
| Kenorland Minerals Africa - CI | Ivory Coast | 20% | 0% |
| Koulou Gold Corp. ("Koulou Gold") | Canada | 20% | 0% |

During the year ended December 31, 2021, the changes in the Company's ownership of Koulou Gold were as follows:

- In March 2021, the Company acquired 58% ownership of Koulou Gold by share purchases;
- In April 2021, the Company entered into a share purchase agreement whereby Koulou Gold acquired a 100% interest in 1255141 B.C. Ltd. (formerly Kenorland Minerals Africa Ltd.). As consideration, the Company received 5,000,000 shares of Koulou Gold for its 50% ownership in Kenorland Minerals Africa Ltd. The Company's interest in Koulou Gold decreased from 58% to 53%; and
- In September 2021, the ownership decreased from 53% to 20% as a result of a Koulou Gold share issuance.

All intercompany accounts and transactions between the Company and its subsidiaries have been eliminated upon consolidation.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates and judgements as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, determination of functional currency, valuation of share-based compensation and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

Level of control or influence over companies

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over these other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced and require equity accounting.

Until September 8, 2021, the Company consolidated its investment in Koulou Gold as Kenorland had control over the key operating activities of Koulou Gold. Effective September 9, 2021, Kenorland accounted for its investment in Koulou Gold as an investment in associate as it retained significant influence over the operations of Koulou Gold.

Going concern of operations

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. If the going concern assumption is not appropriate for the consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statements of financial position classifications used (Note 1).

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Uncertainty of COVID-19 pandemic

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally, leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company's. This outbreak could decrease spending, adversely affect and harm the Company's business and results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

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

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss and cash and investment in equity instruments are classified as FVTPL.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statements of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, advances received, lease liabilities and government loans payable are measured at amortized cost. RSU liability is measured at FVTPL.

As at December 31, 2020 and 2021, the Company does not have any derivative financial liabilities.

Investment in associates

The Company accounts for its investments in affiliated companies over which it has significant influence using the equity basis of accounting, whereby the investment is initially recorded at cost, adjusted to recognize the Company's share of earnings or losses. The consolidated statement of loss and comprehensive loss reflects the share of the results of operations of the associated company from the acquisition date forward. Where there has been a change recognized directly in the equity of the associated company, the Company recognizes its share of any changes. Unrealized gains and losses resulting from transactions between the Company and the associated company are eliminated to the extent of the interest in the associated company.

The Company assesses its equity investments for impairment at each reporting date if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the equity investment and that the event or events has an impact on the estimated future cash flow of the investment that can be reliably estimated. Objective evidence of impairment of equity investments includes:

- (i) significant financial difficulty of the associated companies;
- (ii) becoming probable that the associated companies will enter bankruptcy or other financial reorganization; or
- (iii) national or local economic conditions that correlate with defaults of the associated companies.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)

If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss. Upon loss of significant influence over the associated company, the Company measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associated company upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Costs directly related to the acquisition and exploration of exploration and evaluation assets are capitalized once the legal rights to explore the exploration and evaluation assets are acquired or obtained. When the technical and commercial viability of a mineral resource has been demonstrated and a development decision has been made, the capitalized costs of the related property are first tested for impairment, then transferred to mining assets and depreciated using the units of production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the property is written down to its recoverable amount. Exploration and evaluation assets are reviewed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property when received.

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as the related assets.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in amount and timing of the Company's estimates of reclamation costs, are charged to profit and loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

For the years presented, there were no significant restoration and environmental obligations.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Farm outs

The Company uses the carrying amount of the exploration and evaluation asset interest before the farm-out as the carrying amount for the portion of the interest retained. Any expenditures incurred by the Company for its own interest are added to the carrying value. Any cash consideration received is credited against the carrying amount of the portion of the interest retained and is recorded as a recovery, with any excess included as a gain in profit or loss.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated using a declining balance method to write off the cost of the assets. The depreciation rate is applicable as follows:

| | |
|-----------------------|-----------------------|
| Computer equipment | 55% Declining balance |
| Furniture & equipment | 20% Declining balance |

Impairment of non-financial assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

The Company generates revenue from operator fees on some of the mineral projects. Revenue is recognized when the earnings process is complete, as evidenced by an agreement between the customer and the Company, when delivery has occurred, when the fee is fixed or determinable and when collection is reasonably assured. For operator fees earned from the refundable mining tax credit for exploration expenditures incurred by the optionee, the Company estimates its refundable mining tax credit and records as accrued receivable in the year the exploration activities incurred. Amounts received from customers in advance of revenue recognition are recorded as deferred revenue.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, restricted share units, share warrants, and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

Valuation of equity units issued in private placements:

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements is determined to be the more easily measurable component as they are valued at their fair value which is determined by the closing price on the issuance date. The remaining balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded to reserves. If the warrants expire unexercised, the value attributed to the warrants is transferred to share capital.

Share-based compensation

The Company operates an employee stock option plan. Share-based compensation to employees is measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company transfers the value of forfeited and expired unexercised vested stock options and compensatory warrants to deficit or share capital from reserves on the date of expiration based on the nature of the item.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation (continued)

The Company may grant Restricted Share Units ("RSUs") to directors, officers, and employees. Each RSU represents an entitlement to one common share of the Company, upon vesting. RSUs are redeemable for the issue of common shares at prevailing market prices on the date of the RSU grant, or into cash, at the option of the holder, on the date of exercise.

RSUs can be settled in cash. The fair value of the estimated number of RSUs awarded that will eventually vest, determined as of the date of grant, is recognized as share-based compensation expense in profit or loss over the vesting period, with a corresponding amount recorded as a liability. Until the liability is settled, the fair value of the RSUs is re-measured at the end of each reporting period and at the date of settlement, with changes in fair value recognized as share-based compensation expense or recovery over the vesting period.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit or loss on a straight-line basis over the lease term.

Income taxes

Current income tax

Current income tax assets and liabilities for the current period 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, at the reporting date, in the country where the Company operates and generates taxable income. Current income tax relating to items recognized directly in other comprehensive loss or equity is recognized in other comprehensive loss or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is 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 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 enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current income and deferred tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net loss, shareholders' equity or cash flows as previously reported.

Standards issued or amended but not yet effective

A number of amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2021 and have not been applied in preparing these consolidated financial statements nor does the Company expect these amendments to have a significant effect on its financial statements.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

3. RECEIVABLES

| | December 31, 2021 | December 31, 2020 |
|----------------------|----------------------|----------------------|
| | \$ | \$ |
| Accounts receivable | 168,118 | 62,898 |
| Accrued receivable | 207,785 | - |
| Sales tax receivable | 1,522,160 | 960,933 |
| | 1,898,063 | 1,023,831 |

4. REVERSE ACQUISITION

As described in Note 1, on December 31, 2020, pursuant to the RTO between Northway and KNA, Northway acquired all of the issued and outstanding shares of KNA. Prior to completing the Transaction, Northway consolidated its share capital on the basis of one post-consolidation common share of Northway (each, a "Northway Share") for every seven common shares of Northway existing immediately before the Consolidation. The shareholders of KNA then exchanged their common shares of KNA for post-Consolidation Northway Shares on a one common share of KNA for two post-Consolidation Northway Shares. Likewise, all outstanding stock options and restricted share units of KNA were converted for stock options and restricted share units of Northway on the same basis. In addition, all Northway shares and warrants held by KNA prior to the RTO were cancelled without any repayment of capital. As a result, the Company recorded a loss on cancellation of shares and warrants of \$1,035,378.

As a result, Northway issued 30,418,002 common shares to the former shareholders of KNA. Prior to the RTO, KNA had issued 10,000,000 subscription receipts for proceeds of \$10,000,000, which were held in escrow and released upon the completion of the RTO. Upon completion of the RTO, the Company issued 10,000,000 post-Consolidation common shares on the exercise of the subscription receipts.

The RTO constituted a reverse acquisition of Northway and has been accounted for as a reverse acquisition transaction in accordance with the guidance provided under IFRS 2, Share-based Payment and IFRS 3, Business Combinations. As Northway did not qualify as a business according to the definition in IFRS 3, Business Combination, this reverse acquisition did not constitute a business combination; rather the transaction was accounted for as an acquisition by KNA of the net assets of Northway and its public listing. The fair value of the consideration paid (based on the fair value of the Northway shares, stock options and warrants just prior to the RTO) less the Northway net assets acquired, has been recognized as a listing expense in profit or loss for the year ended December 31, 2020.

For accounting purposes, KNA was treated as the accounting parent company (legal subsidiary) and Northway had been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As KNA was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. The assets, liabilities and results of operations of Northway are included in these consolidated financial statements from the date of the acquisition on December 31, 2020.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

4. REVERSE ACQUISITION (continued)

The following represents the fair value of Northway net assets acquired as at December 31, 2020 as a result of the RTO:

| | Total |
|---|------------------|
| Cost of acquisition: | \$ |
| Shares retained by Northway shareholders - 5,055,135 shares at \$1 | 5,055,135 |
| Fair value of Northway warrants retained | 1,228,201 |
| Fair value of Northway stock options retained | 196,983 |
| | 6,480,319 |
| Allocated as follows: | |
| Cash | 532,057 |
| Receivables | 8,291 |
| Prepaid expenses | 45,781 |
| Exploration and evaluation assets | 1,651,084 |
| Accounts payable and accrued liabilities | (172,826) |
| | 2,064,387 |
| Allocated to listing expense | 4,415,932 |
| | 6,480,319 |

Prior to the completion of the RTO, KNA held 6,000,000 pre-Consolidation shares and 2,000,000 pre-Consolidation warrants of Northway with a fair market value of \$840,000 and \$195,378, respectively. During the year ended December 31, 2020, the Company recorded a net change in fair value of investments of \$449,417.

5. INVESTMENTS

Kingfisher Metals Corp.

In April 2020, the Company acquired 500,000 shares of Kingfisher Metals Corp. ("Kingfisher") at a value of \$0.10 per share in exchange for certain mineral claims owned by the Company that were previously expensed. The Company recognized a gain of \$50,000.

In June 2020, the Company acquired 1,000,000 shares of Kingfisher at a value of \$0.10 per share in exchange for certain mineral claims owned by the Company. Per the agreement, the Company will receive additional shares with a value of \$100,000 upon the date of the first anniversary date Kingfisher commences trading on the TSX-V. Kingfisher began trading on the TSX-V in March 2021 and subsequent to December 31, 2021, the Company received 500,000 shares of Kingfisher.

During the year ended December 31, 2021, the Company sold 1,300,000 Kingfisher shares for total proceeds of \$573,529 and recorded a realized gain on sale of equity investments of \$443,529. In addition, the Company recorded a net increase in fair value of investments of \$40,000. As at December 31, 2021, the fair market value of the remaining 200,000 shares was \$60,000 (2020 – 1,500,000 shares at \$150,000).

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

5. INVESTMENTS (continued)

Urbangold Minerals Inc.

In June 2020, the Company acquired 1,200,000 units of Urbangold Minerals Inc. (“Urbangold”) at a price of \$0.125 per share for a total price of \$150,000. Each unit consisted of one share and one warrant with each warrant exercisable into one common share at an exercise price of \$0.20 per share for three years.

The warrants were valued using the Black-Scholes option pricing model, with the following weighted average assumptions:

| | For the year ended December 31, | |
|-------------------------|---------------------------------|-----------|
| | 2021 | 2020 |
| Risk-free interest rate | 0.99% | 0.23% |
| Dividend yield | Nil | Nil |
| Expected life | 1.4 years | 2.4 years |
| Volatility | 55% | 128% |

As at December 31, 2020, the Company recorded a net change in fair value of investments of \$331,317 for a total fair market value of \$282,000 and \$199,317 in relation to these shares and warrants, respectively. During the year ended December 31, 2021, the Company sold 1,200,000 Urbangold shares for total proceeds of \$255,588 and recorded a realized loss on sale of equity investments of \$26,412. In May 2021, Urbangold was acquired by Troilus Gold Corp. (“Troilus”) and as a result, the Company received 360,480 Troilus warrants (at a ratio of 0.3004) in exchange for 1,200,000 Urbangold warrants. As at December 31, 2021, the Troilus warrants are valued at \$80,559 and the Company recorded a net decrease in fair value of investments of \$118,758.

Superior Nickel Inc.

In June 2021, the Company acquired 2,665,000 shares of Superior Nickel Inc. (“Superior”) at a value of \$0.10 per share in exchange for certain mineral claims owned by the Company that were previously written-off. As a result, the Company recognized a gain on sale of mineral claims of \$266,500. Superior also granted a 2% net smelter return royalty on these mineral claims. As at December 31, 2021, the shares were valued at \$266,500.

J2 Metals Inc.

In August 2021, the Company closed the definitive purchase and sale agreement with J2 Metals Inc. (formerly 1247667 BC Ltd.) (“J2 Metals”) and transferred the shares in its wholly owned subsidiary 1223615 B.C. Ltd., which indirectly owns a 100% interest in the Napoleon Project to J2 Metals. In exchange, the Company received 8,107,480 shares of J2 Metals with a fair value of \$810,748. As at December 31, 2021, the shares were valued at \$810,748.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

6. INVESTMENT IN ASSOCIATES

A reconciliation of the Company's investments in associate is as follows:

| | Prospector | Koulou | Total |
|---|----------------|----------------|------------------|
| | \$ | \$ | \$ |
| Balance as at December 31, 2019 and 2020 | - | - | - |
| Initial investment | 45,000 | 900,000 | 945,000 |
| Dilution gain (loss) | 782,997 | (356,899) | 426,098 |
| Equity loss | (33,098) | (120,843) | (153,941) |
| Balance as at December 31, 2021 | 794,899 | 422,258 | 1,217,157 |

Prospector Royalty Corp.

In January 2021, the Company acquired a 45% interest in Prospector Royalty Corp. ("Prospector") by paying \$45,000. In August 2021, Gold Royalty Corp. subscribed for 12.5% of Prospector for \$2,000,000. As a result, the Company's ownership was diluted to 39.38% and recorded a dilution gain of \$782,997 representing the increase of net assets in Prospector.

Prospector's financial information as at December 31, 2021 and loss and comprehensive loss for the period from January 13, 2021 to December 31, 2021 are as follows:

| | |
|--|-----------|
| | \$ |
| Cash | 2,010,717 |
| Other current assets | 4,652 |
| Non-current assets | 60,000 |
| Total assets | 2,122,369 |
| Current liabilities | (56,579) |
| Net assets | 2,018,790 |
| Loss and comprehensive loss for the period | (81,210) |
| Company's share of loss during the period | (33,098) |

Koulou Gold Corp.

In March 2021, the Company acquired 1,000,000 shares of Koulou Gold from two arm's length third parties for \$30,000 and subscribed for 3,000,000 shares at a price of \$0.05 per share for a total price of \$150,000. In April 2021, the Company entered into a share purchase agreement whereby Koulou Gold acquired a 100% interest in 1255141 B.C. Ltd. As consideration, the Company received 5,000,000 shares of Koulou Gold for its 50% ownership in 1255141 B.C. Ltd. The Company's interest in Koulou Gold decreased from 58% to 53% and the Company maintained control over the key operating activities of Koulou Gold. As a result of the sale of 1255141 B.C. Ltd., the Company recorded loss on consolidation of \$26,326.

In September 2021, Koulou Gold issued additional shares through a private placement that diluted the Company's ownership of Koulou Gold from 53% to 20%, which led to a loss of control and deconsolidation of Koulou Gold from the Company's financial statements. As a result of the deconsolidation, the Company recognized a gain on deconsolidation of \$865,424. The Company retained significant influence over Koulou Gold, resulting in Koulou Gold being recorded on the Company's consolidated financial statements as an investment in associate.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

6. INVESTMENT IN ASSOCIATES (continued)

Koulou's financial information as at December 31, 2021 and loss and comprehensive loss for the period from September 9, 2021 to December 31, 2021 are as follows:

| | |
|--|-----------|
| | \$ |
| Cash | 2,273,180 |
| Other current assets | 12,991 |
| Non-current assets | 128,522 |
| Total assets | 2,414,693 |
| Current liabilities | (314,234) |
| Net assets | 2,100,459 |
| Loss and comprehensive loss for the period | (665,414) |
| Company's share of loss during the period | (120,843) |

The reconciliation for the investment in Koulou Gold is as follows:

| | Amount |
|--|-------------------|
| Share price of Koulou Gold as at September 9, 2021 | \$ 0.10 |
| Number of Koulou Gold shares owned by the Company as at September 9, 2021 | 9,000,000 |
| Initial recognition of the investment in associate on September 9, 2021 | \$ 900,000 |

| | Amount |
|---|------------|
| Initial investment | \$ 180,000 |
| Loss on consolidation (change in ownership interest 58% to 53%) | (26,326) |
| Subtotal | 153,674 |
| Share of comprehensive loss during the consolidated period | (119,098) |
| Investment balance immediately prior to deconsolidation | 34,576 |
| Initial recognition of the investment in associate on September 9, 2021 | 900,000 |
| Gain on deconsolidation | \$ 865,424 |

The Company's total change in ownership interests of Koulou during the year ended December 31, 2021 resulted in a gain on deconsolidation of \$839,098 (2020 - \$Nil) recognized on the statement of income (loss) and comprehensive income (loss).

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS

The Company's costs and expenditures for the years related to exploration and evaluation of mineral properties are as follows:

| | Chicobi | Frotet | Lac Fagnant | Chebistuan | O'Sullivan | Miniac |
|--|----------------|----------------|--------------------|-------------------|-------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2019 | 94,297 | 196,014 | 13,156 | 145,622 | - | - |
| Acquisition costs | - | 100,000 | - | 80,800 | - | - |
| Exploration expenditures: | | | | | | |
| Assays | 229,951 | 355,967 | 410 | 240,078 | 58,749 | 160,480 |
| Consulting and personnel | 639,836 | 917,072 | 227 | 338,399 | 151,946 | 252,611 |
| Drilling | 824,314 | 1,035,578 | - | 5,572 | - | 281,729 |
| Geophysics | - | 348,987 | 720 | 45,784 | 32,750 | - |
| Site development and reclamation | 20,530 | 146,654 | - | - | - | 32,382 |
| Staking and claim maintenance | 9,852 | 3,098 | 3,454 | 63,992 | 54,788 | - |
| Supplies and fuel | 174,493 | 147,649 | - | 30,666 | 25,193 | 72,656 |
| Travel, camp and accommodation | 60,113 | 752,771 | - | 49,625 | 28,608 | 20,206 |
| | 1,959,089 | 3,807,776 | 4,811 | 854,916 | 352,034 | 820,064 |
| Contribution received from optionees | (1,963,461) | (3,807,777) | - | (700,000) | - | (810,814) |
| Refundable mining tax credit | (7,819) | (13,109) | - | - | - | - |
| Disposition of mineral property | - | - | - | - | - | - |
| Reallocation of excess funding on termination of agreement | - | - | - | - | - | - |
| Balance, December 31, 2020 | 82,106 | 182,904 | 17,967 | 300,538 | 352,034 | 9,250 |

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

| | Hunter | Talbot Lake | Thibert | Total Canada | Tanacross | Healy | Napoleon | Total USA | Total |
|--|---------------|--------------|----------|------------------|----------------|------------------|----------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2019 | - | - | 72,263 | 521,352 | 546,333 | - | - | 546,333 | 1,067,685 |
| Acquisition costs | 10,000 | - | - | 190,800 | - | 1,483,436 | 167,648 | 1,651,084 | 1,841,884 |
| Exploration expenses | | | | | | | | | |
| Assays | - | - | 22 | 1,045,657 | 43,772 | - | - | 43,772 | 1,089,429 |
| Consulting and personnel | 3,033 | 1,850 | - | 2,304,974 | 175,747 | - | - | 175,747 | 2,480,721 |
| Drilling | - | - | - | 2,147,193 | 274,354 | - | - | 274,354 | 2,421,547 |
| Geophysics and geological | - | - | - | 428,241 | 56,385 | - | - | 56,385 | 484,626 |
| Site development and reclamation | - | - | - | 199,566 | 3,192 | - | - | 3,192 | 202,758 |
| Staking and claim maintenance | 41,070 | - | - | 176,254 | 120,809 | - | - | 120,809 | 297,063 |
| Supplies and fuel | - | - | - | 450,657 | 195,680 | - | - | 195,680 | 646,337 |
| Travel, camp and accommodation | - | - | - | 911,324 | 68,469 | - | - | 68,469 | 979,792 |
| | 54,103 | 1,850 | 22 | 7,854,665 | 938,408 | 1,483,436 | 167,648 | 2,589,492 | 10,444,157 |
| Contribution received from optionees | - | - | - | (7,282,052) | (804,467) | - | - | (804,467) | (8,086,519) |
| Refundable mining tax credit | - | - | - | (20,928) | - | - | - | - | (20,928) |
| Disposition of mineral property | - | - | (72,285) | (72,285) | - | - | - | - | (72,285) |
| Reallocation of excess funding on termination of agreement | - | - | - | - | (55,607) | - | - | (55,607) | (55,607) |
| Balance, December 31, 2020 | 54,103 | 1,850 | - | 1,000,752 | 624,667 | 1,483,436 | 167,648 | 2,275,751 | 3,276,503 |

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

| | Chicobi | Frotet | Lac Fagnant | Chebistuan | O'Sullivan | Miniac | Hunter | Talbot Lake | Rupert |
|---|---------------|------------------|----------------|----------------|----------------|--------------|----------------|----------------|-----------|
| Balance as at December 31, 2020 | 82,106 | 182,904 | 17,967 | 300,538 | 352,034 | 9,250 | 54,103 | 1,850 | - |
| Acquisition costs | - | 150,000 | - | - | - | - | - | - | - |
| Exploration expenditures: | | | | | | | | | |
| Assays | 112,926 | 716,704 | - | 58,706 | 7,719 | - | 7,437 | - | 295,877 |
| Camp and heavy equipment | 78,155 | 1,020,796 | - | 38,644 | 10,200 | - | 5,704 | - | 54,998 |
| Consulting and personnel | 309,587 | 3,608,868 | 110 | 267,713 | 26,748 | 4,309 | 30,836 | - | 369,325 |
| Drilling | 225,975 | 3,751,862 | - | 1,000 | - | - | 28,865 | - | - |
| Fuel | - | 260,830 | - | 1,123 | - | - | - | - | - |
| Geophysics | 221,672 | 451,930 | 1,560 | 104,365 | - | - | 208,150 | 7,500 | 99,535 |
| Helicopter and fixed wing | - | 28,987 | - | 55,913 | - | - | - | - | 120,461 |
| Site development and reclamation | 10,192 | 19,982 | - | 1,200 | - | - | 1,000 | - | - |
| Staking and claim maintenance | 48,094 | 6,136 | 2,193 | 5,301 | 160 | 2,933 | 560 | 19,196 | 208,631 |
| Supplies and fuel | 6,355 | 293,407 | - | 7,554 | 122 | 514 | - | - | 42,285 |
| Travel and accommodations | 3,882 | 82,647 | - | - | - | - | - | - | - |
| | 1,016,838 | 10,392,149 | 3,863 | 541,519 | 44,949 | 7,756 | 282,552 | 26,696 | 1,191,112 |
| Contribution received from optionees | (1,016,837) | (2,292,216) | - | (587,907) | - | (7,756) | - | - | (997,041) |
| Contribution from joint venture partner | - | (6,612,924) | - | - | - | - | - | - | - |
| Refundable mining tax credit | - | - | - | (39,442) | (115,183) | - | (1,175) | - | - |
| Consideration received | - | - | - | - | - | (181,361) | - | - | (200,000) |
| Elimination of subsidiary | - | - | - | - | - | - | - | - | - |
| Gain on sale of mineral properties | - | - | - | - | - | 172,111 | - | - | 5,929 |
| Balance as at December 31, 2021 | 82,107 | 1,669,913 | 21,830 | 214,708 | 281,800 | - | 335,480 | 28,546 | - |

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

| | South Uchi | Total Canada | Tanacross | Healy | Napoleon | Total USA | Sakassou, Ivory Coast | Total |
|---|----------------|--------------------|------------------|------------------|----------------|------------------|--------------------------|--------------------|
| Balance as at December 31, 2020 | - | 1,000,752 | 624,667 | 1,483,436 | 167,648 | 2,275,751 | - | 3,276,503 |
| Acquisition costs | 57,143 | 207,143 | - | - | - | - | 121,846 | 328,989 |
| Exploration expenditures: | | | | | | | | |
| Assays | - | 1,199,369 | 27,844 | 125,056 | 1,266 | 154,166 | - | 1,353,535 |
| Camp and heavy equipment | - | 1,208,497 | 103,151 | 509,803 | - | 612,954 | - | 1,821,451 |
| Consulting and personnel | 14,726 | 4,632,222 | 199,516 | 678,345 | - | 877,861 | - | 5,510,083 |
| Drilling | - | 4,007,702 | 18,306 | 1,533,861 | - | 1,552,167 | - | 5,559,869 |
| Fuel | - | 261,953 | 6,124 | 168,304 | - | 174,428 | - | 436,381 |
| Geophysics | 60,050 | 1,154,762 | 196,629 | 23,309 | - | 219,938 | - | 1,374,700 |
| Helicopter and fixed wing | - | 205,361 | 60,827 | 1,119,936 | - | 1,180,763 | - | 1,386,124 |
| Site development and reclamation | - | 32,374 | 1,144 | 1,362 | - | 2,506 | - | 34,880 |
| Staking and claim maintenance | 161,600 | 454,804 | 294,564 | 133,152 | - | 427,716 | - | 882,520 |
| Supplies | 226 | 350,463 | 84,493 | 237,367 | - | 321,860 | - | 672,323 |
| Travel and accommodations | - | 86,529 | 58,623 | 24,865 | - | 83,488 | - | 170,017 |
| | 293,745 | 13,801,179 | 1,051,221 | 4,555,360 | 1,266 | 5,607,847 | 121,846 | 19,530,872 |
| Contribution received from optionees | - | (4,901,757) | - | - | - | - | - | (4,901,757) |
| Contribution from joint venture partner | - | (6,612,924) | - | - | - | - | - | (6,612,924) |
| Refundable mining tax credit | - | (155,800) | - | - | - | - | - | (155,800) |
| Consideration received | (50,000) | (431,361) | - | - | (810,748) | (810,748) | - | (1,242,109) |
| Elimination of subsidiary | - | - | - | - | - | - | (121,846) | (121,846) |
| Gain on sale of mineral properties | - | 178,040 | - | - | 641,834 | 641,834 | - | 819,874 |
| Balance as at December 31, 2021 | 243,745 | 2,878,129 | 1,675,888 | 6,038,796 | - | 7,714,684 | - | 10,592,813 |

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Chicobi Property, Quebec, Canada

The Company holds a 100% interest in mining claims located northeast of the town of Amos, Quebec.

In February 2019, the Company entered into an earn in and joint venture exploration agreement with Sumitomo Metal Mining Canada Limited ("SMCL"). Under the agreement, SMCL can earn up to a 70% interest in the Chicobi Property by making exploration expenditures as follows:

- a) to acquire an undivided 51% interest, SMCL must fund an aggregate of \$4.9 million in expenditures on the Chicobi Property on or before May 31, 2022 (December 31, 2021 - incurred \$4.48 million).
- b) to acquire an additional undivided 19% interest (for a total undivided interest of 70%), SMCL must, within 90 days following the completion of acquiring 51% interest, notify the Company that they will fund an aggregate of an additional \$10 million in expenditures on the property within three years..

If the participating interest in the joint venture property of any party is diluted to 10% or less whether by reason of failure to complete funding contribution requirements or default, the participating interest will be deemed to have been automatically converted to a 2% net smelter return royalty in favor of the other party in respect of minerals produced from the property. If the party whose participating interest is forfeited, they will be deemed to have abandoned the property and the full benefit, ownership and title of the property shall be deemed to have passed to the other party for the payment of good and valuable consideration.

In accordance with the agreement, the Company is the operator and is entitled to charge SMCL operator fees based on costs incurred in account of exploration on the Chicobi property until SMCL acquires the first 51% interest in the property.

As at December 31, 2021, the excess funding received of \$302,295 (December 31, 2020 - \$185,572) has been allocated to advances received

Frotet Property, Quebec, Canada

The property is located north of Chibougamau, Quebec and was acquired by nominal staking costs and a payment of \$6,000 to an arm's length vendor.

In April 2018, the Company entered in an earn in and joint venture exploration agreement with SMCL. Under the agreement, SMCL can earn up to an 80% interest in the Frotet Property by making exploration expenditures as follows:

- a) to acquire an undivided 65% interest, SMCL must fund an aggregate of \$4.3 million in expenditures on the Frotet Property on or before April 17, 2021 (funded).
- b) to acquire an additional undivided 15% interest (for a total undivided interest of 80%), SMCL must, within 90 days following the completion of acquiring 65% interest, notify the Company that they will fund an aggregate of an additional \$4 million in expenditures on the property within one year (funded). SMCL notified the Company and will fund an aggregate of an additional \$4 million in expenditures on the property

If the participating interest in the joint venture property of any party is diluted to 10% or less whether by reason of failure to complete funding contribution requirements or default, the participating interest will be deemed to have been automatically converted to a 2% net smelter return royalty in favor of the other party in respect of minerals produced from the property. If the party whose participating interest is forfeited, they will be deemed to have abandoned the property and the full benefit, ownership and title of the property shall be deemed to have passed to the other party for the payment of good and valuable consideration.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Frotet Property, Quebec, Canada (continued)

In accordance with the agreement, the Company is the operator and is entitled to charge SMCL operator fees based on costs incurred in account of exploration on the Frotet Property.

In April 2020, the Company entered into a purchase agreement with O3 Mining Inc. ("O3") to purchase mineral claims in Quebec for a total purchase price of \$900,000. Under the agreement, the payment terms are as follows:

- a) \$100,000 upon execution of agreement (paid); \$150,000 on the first year anniversary (paid); \$250,000 on the second year anniversary (paid subsequently); and \$400,000 on the third year anniversary.
- b) When the Company acquires 100% interest in the property and it goes into commercial production, O3 will be entitled to receive a 2.0% net smelter return royalty with the right to purchase one half of royalty upon the payment of \$1,000,000.

In April 2021, SMCL completed the earn in of an 80% interest by funding an aggregate of \$8.3 million in expenditures on the Frotet Property. The Company and SMCL will fund future exploration expenditures based on a 20/80 basis and the Company will remain the operator.

As at December 31, 2021, the excess funding received of \$1,260,542 (December 31, 2020 - \$1,073,830) has been allocated to advances received.

Lac Fagnant Property, Quebec, Canada

On January 16, 2018, and subsequently amended in July 2018, the Company entered into an agreement with Harfang Exploration Inc. ("Harfang") and Urbangold for exploration on certain mineral rights comprising certain mining claims on the property located in the Nunavik territory, east of Kuujjuarapik on the east coast of Hudson Bay, Quebec.

Under the agreement, the participating interest is as follows: the Company – 40%, Harfang – 40%, and UrbanGold – 20%. Harfang is the operator, which can charge operator fees based on costs incurred in account for exploration expenditures on the Lac Fagnant Property, as long as its participating interest is equal to or greater than the other participants' participating interest.

Chebistuan Property, Quebec, Canada

During the year ended December 31, 2019, the Company staked claims within the Treve Region of Quebec.

During the year ended December 31, 2020, the Company acquired additional mineral claims for a total price of \$10,800 from three individuals.

In July 2020, the Company entered into an option agreement with G.L. Geoservice Inc. and another individual ("Optionors") for a property located in Quebec. Under the agreement, the Company has the option to acquire a 100% interest in the property by making aggregate payments of \$600,000 and incurring aggregate exploration expenditures of \$1,000,000 over a four years from the date of the option agreement. In January 2021, the Company terminated the option agreement.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Chebistuan Property, Quebec, Canada (continued)

In July 2020, the Company entered into a purchase and royalty agreement with Vanstar Mining Resources Inc. ("Vanstar"). Under the agreement, the Company agreed to purchase mineral claims located in Quebec from Vanstar in exchange for:

- i. Payment of \$20,000 immediately upon signing the agreement to Vanstar (paid); and
- ii. In the event of commercial production with respect to these mineral claims, Vanstar is entitled to a 2.0% on net smelter return royalty. Half of the royalty (1.0% of net smelter income) can be redeemed at the Company's discretion for consideration of \$1,000,000 payable in cash. The Company holds the right of first refusal over this same 1.0% of royalty owned by Vanstar.

In July 2020, and later amended in June 2021, the Company entered into an exploration with venture option agreement with Newmont Corporation ("Newmont") and Newmont can earn up to an 80% interest in the Chebistuan Property. Under the agreement, the Company is the operator and will be compensated based on exploration expenditures incurred. In order to acquire an 80% interest, Newmont must make exploration expenditures as follows:

- i. to acquire an undivided 51% interest, advance the Company a minimum of \$700,000 in qualifying expenditures to complete the geochemical sampling work (advanced); approval of the geochemical sampling work; and incur or advance the Company an additional \$2,000,000 in qualifying exploration expenditures.
- ii. to acquire an additional undivided 29% interest (for a total undivided interest of 80%), incur additional qualifying exploration expenditures to furnish the Company with a NI43-101-compliant prefeasibility study demonstrating the Chebistuan Property contains an inferred resource of at least 1,500,000 gold ounces.

As at December 31, 2021, the excess funding received of \$407,093 (December 31, 2020 - \$nil) has been allocated to advances received.

O'Sullivan Property, Quebec, Canada

During the year ended December 31, 2020, the Company staked claims within the Miquelon Region of Quebec.

Miniac Property, Quebec, Canada

During the year ended December 31, 2020 the Company staked claims within the Miniac Region of Quebec.

In August 2020, the Company entered into a purchase and sale agreement with J2 Metals to sell certain mineral claims in Quebec in exchange for a 15% interest of J2 Metals and a net smelter return royalty of 2%. Prior to closing of the transaction, J2 Metals is required to raise a minimum of \$1,000,000 to fund exploration expenditures on the property. The Company is acting as the operator and is entitled to charge J2 Metals operator fees based on costs incurred in account of exploration on the Miniac Property.

In July 2021, the Company entered into an amending agreement with J2 Metals in connection to the Miniac Property to decrease the exploration expenditure requirement from \$1,000,000 to \$816,000 and removed the ownership interest considered of J2 Metals. J2 Metals was deemed to have met the exploration expenditures requirement and the Company will keep \$181,361 in advances received. As a result, the Company closed the transaction with J2 Metals and transferred the Miniac Property to J2 Metals. As a result of the sale, the Company recorded a gain on sale of mineral claims of \$172,111.

The excess funding of \$nil (2020 - \$189,186) has been allocated to advances received.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Hunter Property, Quebec, Canada

In August 2020, the Company entered into a sale and transfer agreement to purchase a 100% interest in certain mineral titles located in Quebec from two individuals for a total purchase price of \$10,000. The sale and transfer agreement subjects to a net smelter return royalty of 1.5%.

In January 2022, the Company entered into an option agreement whereby a third party can earn up to a 70% interest in the property (Note 21).

Talbot Lake Property, Manitoba, Canada

During the year ended December 31, 2020, the Company staked claims located in Manitoba.

Thibert Property, British Columbia, Canada

In 2019, the Company staked claims within the Thibert Region of British Columbia.

During the year ended December 31, 2020, the Company sold the mineral claims to Kingfisher in exchange the Company received:

- a) 1,000,000 shares of Kingfisher valued at \$0.10 per share for a total value of \$100,000 (received – Note 5); and
- b) additional shares with a value of \$100,000 upon the first anniversary date Kingfisher commences trading on the TSX-V (received subsequent to year end).

During the year ended December 31, 2020, the Company recorded a gain on sale of mineral claims of \$27,715.

Rupert Lithium Property, Quebec, Canada

During the year ended December 31, 2021, the Company staked claims located near James Bay, Quebec (the “Rupert Property”).

In July 2021, the Company entered into an option agreement with Li-FT Power Ltd. (“Li-FT”), a private British Columbia company pursuant to which Li-FT has been granted the sole and exclusive option to acquire a 100% interest in the Rupert Property.

In order to exercise the option, Li-FT will make aggregate cash payments of \$200,000 (received) and issue common shares representing 9.9% of the issued and outstanding shares of Li-FT at the time of closing and from time to time until the shares of Li-FT are directly or indirectly listed on a recognized stock exchange in North America, Australia or the United Kingdom. Upon the exercise of the option, Kenorland will be granted a 2% net smelter return royalty on the Rupert Property. The parties will also enter into an operating agreement whereby Kenorland will be engaged by Li-FT to operate the Property for an initial two year term.

As at December 31, 2021, the excess funding received of \$15,360 (December 31, 2020 - \$nil) has been allocated to advances received.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

South Uchi Property, Ontario, Canada

During the year ended December 31, 2021, the Company staked claims located within the Birch-Uchi greenstone Belt, in the Red Lake district of Northwestern Ontario (the "South Uchi Property").

In April 2021, the Company entered into an option agreement to acquire 100% interest in the property located in Ontario, Canada by completing the following:

| | Cash payment (\$) | | Common shares (\$) | |
|-----------------------------|-------------------|----------------|--------------------|----------------|
| April 29, 2021 | (paid) | 25,000 | (issued) | 25,000 |
| On or before April 29, 2022 | (paid | | (issued | |
| On or before April 29, 2023 | subsequently) | 50,000 | subsequently) | 50,000 |
| | | 100,000 | | 100,000 |
| Total Requirement | | 175,000 | | 175,000 |

Upon the exercise of the option, Kenorland will also grant to the optionor a 2% net smelter return royalty on the property, of which one-half (1%) may be purchased by Kenorland at any time for an aggregate payment of \$1,000,000 which may be paid in cash or through the issuance of common shares of Kenorland, at the discretion of the optionor.

In September 2021, the Company entered into a property option agreement (the "Barrick Option Agreement") with a wholly-owned subsidiary of Barrick Gold Corporation ("Barrick"). Under the agreement, Barrick has the option to acquire up to an 80% interest in the South Uchi Property.

Pursuant to the Barrick Option Agreement, Barrick can earn an initial 70% interest in the South Uchi Property by incurring an aggregate of \$6,000,000 in mineral exploration expenditures on or before the sixth anniversary of the Barrick Option Agreement (of which \$3,000,000 are guaranteed expenditures within the first three years) and deliver a technical report in respect of the South Uchi Property that establishes a mineral resource of at least one million ounces of gold prepared in accordance with the requirements of National Instrument 43-101 of the Canadian Securities Administrators. As part of its exploration expenditures, Barrick will reimburse the Company for its sunk costs (\$50,000 received) in relation to the South Uchi Property and its costs incurred in exercising an underlying option that comprises part of the South Uchi Property.

Tanacross Property, Alaska, USA

The property is located northeast of Tok, Alaska and was acquired by staking and a payment of \$20,000 to an arm's length vendor in June 2017.

On August 1, 2018, the Company with its wholly owned subsidiaries, 1118892 and KUSA, signed a farm-out agreement with Freeport-McMoRan Mineral Properties Inc. ("FMMP"). Under the agreement FMMP can earn up to an 80% interest in the Tanacross Property by making payments totalling US\$250,000 and exploration expenditures totalling US\$5,000,000 by September 30, 2021.

In June 2020, FMMP gave notice to terminate the farm-out agreement. Due to the advanced stage of the earn in, the Company and FMMP amended the farm-out agreement for FMMP to receive a 1% net smelter royalty in the property and in exchange the Company received a payment of US\$50,260 in November 2020. The excess funding received of \$55,607 was allocated to the Company.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Healy Property, Alaska, USA

Pursuant to the option agreement with Newmont effective July 2018, the Company was entitled to acquire a 70% interest in the Healy Property upon incurring aggregate expenditures of US\$4,000,000 on the property during the Phase 1 period of the contribution. In December 2021, the Company received acknowledgement it had completed the Phase 1 earn-in.

Upon completing the Phase 1 earn-in requirement on the Healy Property, the value of the Company's initial contribution is US\$4,000,000 (70% interest) and the value of optionor's initial contribution is US\$1,715,000 (30% interest). The Company and the optionor shall fund an adopted program on a pro-rata basis in accordance with their respective participating interests.

Napoleon Property, Alaska, USA

The Company held a 100% interest in mining claims located in Fortymile District, Alaska, USA (the "Napoleon Property").

The Napoleon Property is subject to an annual advance royalty payment of US\$1,000 and net smelter returns royalties of 0.5% and 1%, respectively, on the Napoleon Property and areas of interest. One-half of the 0.5% net smelter returns royalty may be acquired by the Company at any time, for a one-time payment of US\$500,000 and the 1% net smelter returns royalty may be acquired by the Company at any time, for a one-time payment of US\$1,000,000.

In February 2021, the Company entered into a definitive purchase and sale agreement with J2 Metals for the sale of the Napoleon Project. Pursuant to the terms of the agreement, at closing, Kenorland will transfer the shares in its wholly owned subsidiary 1223615 B.C. Ltd., which indirectly owns a 100% interest in the Napoleon Project, to J2 Metals in exchange for:

- i. 15% of the issued and outstanding shares in J2 Metals on a fully diluted basis;
- ii. a 1% net smelter returns royalty on the Napoleon Project; and \$500,000 in committed expenditures on the Napoleon Project by J2 Metals within 12 months of the effective date pursuant to an operator services agreement in which Kenorland acts as operator on market standard fees.

In August 2021, the Company closed the definitive purchase and sale agreement with J2 Metals and transferred the shares in its wholly owned subsidiary 1223615 B.C. Ltd., which indirectly owns a 100% interest in the Napoleon Project to J2 Metals. In exchange, the Company received 8,107,480 shares of J2 Metals with a fair value of \$810,748. As a result of the sale, the Company recorded a gain on sale of mineral properties of \$641,834.

Sakassou Property, Ivory Coast

In June 2021, the Company's former subsidiary, Koulou Gold, entered into a property earn-in agreement with Global Mineraie SA., ("GMSA") to acquire up to 100% of a property located in the Ivory Coast (the "Sakassou Property"). Koulou Gold is entitled to acquire a 100% interest in the Sakassou Property upon completion of making aggregate cash payment totaling US\$5,600,000, making a cash payment of US\$66,000 to a third party vendor, issuing US\$500,000 in Koulou Gold shares, and incurring US\$10 million in exploration expenditures.

In September 2021, the Company no longer held a controlling interest in Koulou Gold (Note 6); as such, the Sakassou Property was no longer consolidated into the accounts of the Company.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

8. EQUIPMENT

| | Computer equipment | Furniture & equipment | Total |
|-------------------------------|-----------------------|--------------------------|--------------|
| | \$ | \$ | \$ |
| Cost: | | | |
| At December 31, 2019 | 2,586 | 3,279 | 5,865 |
| Additions | 10,150 | 5,870 | 16,020 |
| At December 31, 2020 and 2021 | 12,736 | 9,149 | 21,885 |
| Depreciation: | | | |
| At December 31, 2019 | 1,742 | 328 | 2,070 |
| Charge for the year | 3,255 | 1,177 | 4,432 |
| At December 31, 2020 | 4,997 | 1,505 | 6,502 |
| Charge for the year | 4,258 | 1,528 | 5,786 |
| At December 31, 2021 | 9,255 | 3,033 | 12,288 |
| Net book value: | | | |
| At December 31, 2020 | 7,739 | 7,644 | 15,383 |
| At December 31, 2021 | 3,481 | 6,116 | 9,597 |

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Commencing June 2019, the Company entered into a three-year term lease agreement for office space in Vancouver, British Columbia. In January 2020, the Company entered into a thirty month lease agreement for office space in Vancouver, British Columbia.

Right-of-Use Assets

| | Office leases |
|-------------------------------------|---------------|
| | \$ |
| Cost: | |
| Balance, December 31, 2019 | 59,170 |
| Additions | 18,937 |
| Balance, December 31, 2020 and 2021 | 78,107 |
| Depreciation: | |
| Balance, December 31, 2019 | 11,505 |
| Charge for the year | 27,560 |
| Balance, December 31, 2020 | 39,065 |
| Charge for the year | 27,557 |
| Balance, December 31, 2021 | 66,622 |
| Net book value: | |
| Balance, December 31, 2020 | 39,042 |
| Balance, December 31, 2021 | 11,485 |

Depreciation of right-of-use asset is calculated using the straight-line method over the remaining lease term.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

9. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease Liabilities

| | \$ |
|---------------------------------------|----------|
| At December 31, 2019 | 48,614 |
| Lease liabilities recognition | 18,937 |
| Lease payments made | (30,464) |
| Interest expense on lease liabilities | 3,887 |
| At December 31, 2020 | 40,974 |
| Lease payments made | (30,464) |
| Interest expense on lease liabilities | 1,965 |
| | 12,475 |
| Less: current portion | (12,475) |
| At December 31, 2021 | - |

The remaining minimum future lease payments, excluding estimated operating costs, for the term of the lease is as follows:

January 1, 2022 to May 31, 2022 \$ 12,693

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|
| | \$ | \$ |
| Accounts payable | 907,361 | 321,551 |
| Accrued liabilities | 355,865 | 741,299 |
| Payroll taxes payable | 17,863 | 46,370 |
| Refundable mining tax credit payable to SMCL | - | 1,253,360 |
| | 1,281,089 | 2,362,580 |

11. GOVERNMENT LOANS PAYABLE

As at December 31, 2021, the Company and one of its subsidiaries have applied and received two loans - \$60,000 and \$40,000, respectively, from the federal government of Canada under the Canada Emergency Business Account ("CEBA") program. If both loans are fully repaid by December 31, 2023, a total of \$30,000 will be forgiven. If each loan is not fully paid back to the federal government by December 31, 2023, each loan will incur 5% interest during the remaining term of the loans ending on December 31, 2025, the date by which the loans must be fully repaid. The Company intends to pay back the CEBA loans by December 2023.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued share capital

During the year ended December 31, 2020:

- a) The Company closed a non-brokered private placement financing of 2,518,000 common shares at a price of \$0.25 per share for gross proceeds of \$629,500. The Company paid finders' fees of \$4,515 in connection with the private placement.
- b) The Company closed a non-brokered private placement financing of 1,560,000 common shares at a price of \$0.25 per share for gross proceeds of \$390,000. The Company incurred expenses of \$7,948 related to the financing.
- c) The Company issued 200,000 common shares in connection with the exercise of 200,000 stock options with an exercise price of \$0.075 for a total proceeds of \$15,000.
- d) As part of the RTO, the 5,055,135 shares retained by the Northway shareholders at December 31, 2020 were valued at \$5,055,135 (Note 4).
- e) Prior to the RTO, the Company had issued 10,000,000 subscription receipts for proceeds of \$10,000,000, which were held in escrow and released upon the completion of the RTO. Upon completion of the RTO, the Company issued 10,000,000 common shares on the exercise of the subscription receipts. The Company incurred \$550,092 in cash commissions and expenses.
- f) The Company issued 100,000 common shares at a value of \$1.00 per share in connection to the vesting of RSUs.

During the year ended December 31, 2021:

- a) The Company issued 710,000 common shares in connection with the exercise of stock options for proceeds of \$87,000. The Company reallocated \$63,856 from reserves to share capital in connection with the exercise of these options.
- b) The Company issued 72,622 common shares in connection with the exercise of warrants for proceeds of \$50,837. The Company reallocated \$35,912 from reserves to share capital in connection with the exercise of these warrants.
- c) The Company issued 35,714 common shares in connection to the property option agreements for the South Uchi Property valued at \$32,143 (Note 7).
- d) The Company closed the strategic investment by SMCL and issued 5,211,945 common shares to SMCL at a price of \$1.00 per share for aggregate gross proceeds of \$5,211,945. The Company incurred expenses of \$50,586 related to the financing.

As at December 31, 2021, the Company has 14,605,136 shares subject to escrow pursuant to the requirements of the TSX-V, which will be released through January 2024.

Stock options

The Company's incentive plan provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 8,278,294 shares at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

In March 2020, the Company granted 3,300,000 stock options with a total value of \$613,327 to directors, employees and consultants of the Company. All options granted are exercisable at a price of \$0.25 per share for a period of five years, vesting as follows: 1/3 on the first anniversary, 1/3 on the second anniversary and 1/3 on the third anniversary.

As part of the RTO, the 249,997 Northway stock options at December 31, 2020 were valued at \$196,983 calculated using the Black-Scholes option pricing model assuming a risk free rate of 0.25%, a dividend yield of 0%, an expected life of 3.64 years and volatility of 125% (Note 4).

In February 2021, the Company granted 740,000 stock options with a total value of \$520,377 to directors, employees and consultants of the Company. All options granted are exercisable at a price of \$1.00 per share for a period of five years. The options vest 25% immediately followed by 25% every 6 months thereafter.

During the year ended December 31, 2021, the Company recognized share-based compensation of \$679,003 (2020 - \$390,296). In addition, the Company cancelled 200,000 (2020 - nil) stock options and reclassified \$19,414 (2020 - \$nil) attributed to these stock options from reserves to deficit.

The following weighted average assumptions were used in the Black-Scholes option-pricing model for the valuation of the stock options granted:

| | For the year ended December 31, | |
|--|---------------------------------|---------|
| | 2021 | 2020 |
| Risk-free interest rate | 0.73% | 1.07% |
| Dividend yield | Nil | nil |
| Expected life | 5 years | 5 years |
| Volatility | 125% | 100% |
| Weighted average fair value per option granted | \$0.70 | \$0.19 |

Stock option transactions are summarized as follows:

| | Number of Stock Options | Weighted Average Exercise Price |
|-----------------------------------|----------------------------|------------------------------------|
| | | \$ |
| Balance, December 31, 2019 | 3,700,000 | 0.13 |
| Granted | 3,300,000 | 0.25 |
| Exercised | (200,000) | 0.075 |
| Northway options pursuant to RTO | 249,997 | 0.70 |
| Balance, December 31, 2020 | 7,049,997 | 0.21 |
| Granted | 740,000 | 1.00 |
| Exercised | (710,000) | 0.12 |
| Cancelled | (200,000) | 0.25 |
| Balance, December 31, 2021 | 6,879,997 | 0.30 |

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

A summary of the stock options outstanding and exercisable at December 31, 2021 is as follows:

| Number of Stock Options Outstanding | Number of Stock Options Exercisable | Exercise Price | Expiry Date |
|---|---|----------------|--------------------|
| | | \$ | |
| 800,000 | 800,000 | 0.075 | October 19, 2023 |
| 249,997 | 249,997 | 0.70 | August 22, 2024 |
| 200,000 | 133,333 | 0.25 | September 15, 2024 |
| 140,000 | 140,000 | 0.075 | October 2, 2024 |
| 700,000 | 700,000 | 0.15 | December 1, 2024 |
| 3,250,000 | 1,050,000 | 0.25 | March 2, 2025 |
| 800,000 | 800,000 | 0.15 | July 1, 2025 |
| 740,000 | 370,000 | 1.00 | February 4, 2026 |
| 6,879,997 | 4,243,330 | | |

As at December 31, 2021, the Company has 2,145,000 options subject to escrow pursuant to the requirements of the TSX-V, which will be released through January 2024.

Restricted share units

In December 2020, the Company adopted an incentive plan for its directors, officers, and employees, under which it is authorized to grant a maximum of 1,500,000 common shares reserved for issuance for restricted share units ("RSUs") under the incentive plan. Upon vesting, the holder of an RSU award can elect to receive one common share or the equivalent cash payment based on the market price of the common share on settlement. In October 2021, the Company amended the incentive plan and decreased the maximum number of common shares reserved for RSUs under the incentive plan from 1,500,000 common shares to 1,000,000 common shares.

During the year ended December 31, 2020, the Company accelerated the vesting period of 100,000 RSUs and issued 100,000 common shares at the fair value of \$100,000.

During the year ended December 31, 2021, the Company recorded share-based compensation expense of \$189,836 (2020 - \$496,783). As at December 31, 2021, the fair value of the RSUs was \$810,000 (2020 - \$1,000,000) and the Company recorded a RSU liability of \$610,456 (2020 - \$420,620).

RSU transactions are summarized as follows:

| | Number of RSUs |
|--|------------------|
| Balance, December 31, 2019 | 1,100,000 |
| Vested | (100,000) |
| Balance, December 31, 2020 and 2021 | 1,000,000 |

The RSUs will vest on September 27, 2022.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements

For the year ended December 31, 2021

(Expressed in Canadian Dollars)

12. SHARE CAPITAL AND RESERVES (continued)

Share purchase warrants

As part of the RTO, the 1,679,423 Northway warrants at December 31, 2020 were valued at \$1,228,201 calculated using the Black-Scholes option pricing model assuming weighted average variables as follows: life expectancy of 2.70 years, a risk free rate of 0.23%, a forfeiture rate of 0%, and volatility of 125% (Note 4).

In connection to the issuance of the subscription receipts, the Company issued 197,410 broker warrants to the agents. Each warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 for a period of two years. The broker warrants were valued at an aggregate of \$123,183 using the Black-Scholes pricing model with the following assumptions: a risk free rate of 0.20%, a dividend yield of 0%, an expected life of 2.00 years, and volatility of 125%.

During the year ended December 31, 2021, 178,236 warrants expired unexercised, as a result, the Company reclassified \$88,372 attributed to these warrants from reserves to share capital.

Warrant transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|-----------------------------------|--------------------|---------------------------------|
| | | \$ |
| Balance, December 31, 2019 | - | - |
| Northway warrants pursuant to RTO | 1,679,423 | 0.70 |
| Issued | 197,410 | 1.00 |
| Balance, December 31, 2020 | 1,876,833 | 0.73 |
| Exercised | (72,622) | 0.70 |
| Expired | (178,236) | 0.70 |
| Balance, December 31, 2021 | 1,625,975 | 0.74 |

A summary of the warrants outstanding and exercisable at December 31, 2021 is as follows:

| Number of Warrants | Exercise Price | Expiry Date |
|--------------------|----------------|--------------------|
| | \$ | |
| 197,410 | 1.00 | December 31, 2022 |
| 428,571 | 0.70 | September 15, 2023 |
| 999,994 | 0.70 | March 19, 2024 |
| 1,625,975 | | |

As at December 31, 2021, the Company has 428,571 warrants subject to escrow pursuant to the requirements of the TSX-V, which will be released through August 2022.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

13. EARNINGS (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per share:

| | For the year ended December 31, | |
|--|---------------------------------|----------------|
| | 2021 | 2020 |
| Numerator | | |
| Net income (loss) attributable to shareholders | \$ 1,111,664 | \$ (6,192,715) |
| Denominator | | |
| For basic-weighted average number of common shares outstanding | 46,974,534 | 29,740,267 |
| Effect of dilutive stock options, warrants and RSUs | 5,858,930 | - |
| For diluted weighted average number of common shares outstanding | 52,833,464 | 29,740,267 |
| Earnings (loss) per common share | | |
| Basic | \$ 0.02 | \$ (0.21) |
| Diluted | \$ 0.02 | \$ (0.21) |

14. RELATED PARTY TRANSACTIONS

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and corporate officers and related companies.

| | For the year ended December 31, | |
|--------------------------|---------------------------------|------------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Management fees | 79,500 | - |
| Salaries and benefits | 300,000 | 407,150 |
| Share-based compensation | 536,841 | 801,408 |
| | 916,341 | 1,208,558 |

During the year ended December 31, 2021, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

- i. Paid consulting fees of \$nil (2020 - \$7,150) to a company controlled by an officer which was capitalized to exploration and evaluation assets.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

15. NON-CONTROLLING INTEREST

During the year ended December 31, 2021, the changes in the Company's ownership of Koulou Gold were as follows as discussed in Note 6:

- In March 2021, the Company acquired 58% ownership of Koulou Gold by share purchases;
- In April 2021, the Company entered into a share purchase agreement whereby Koulou Gold acquired a 100% interest in 1255141 B.C. Ltd. (formerly Kenorland Minerals Africa Ltd.). As consideration, the Company received 5,000,000 shares of Koulou Gold for its 50% ownership in 1255141 B.C. Ltd. The Company's interest in Koulou Gold decreased from 58% to 53%; and
- In September 2021, Koulou Gold completed a private placement that diluted the Company's ownership in Koulou Gold from 53% to 20%, which lead to a loss of control and deconsolidation of Koulou Gold from the Company's consolidated financial statements (Note 6).

The following table presents the changes in equity attributable to the non-controlling interest in Koulou Gold:

| | \$ |
|--|-----------|
| Balance, December 31, 2020 | - |
| Initial recognition of non-controlling interest of Koulou Gold (Note 6) | 120,147 |
| Change in non-controlling interest as a result of increase in ownership of non-controlling interest (Note 6) | 14,130 |
| Share of comprehensive loss during the consolidated period | (104,065) |
| Elimination of non-controlling interest | (30,212) |
| Balance, December 31, 2021 | - |

16. FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumption that market participants would use in pricing.

The fair value of the Company's receivables, accounts payable and accrued liabilities, advances received, and government loans payable approximates their carrying values. The Company's cash, listed equity investments and RSU liability are measured at fair value using Level 1 inputs. The Company's private company equity investments are measured at fair value using Level 3 inputs. The carrying value of the Company's lease liabilities is measured at the present value of the discounted future cash flows.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

For Level 3 inputs, specific valuation techniques used to fair value financial instruments, specifically those that are not quoted in an active market, as such the Company utilized a market approach:

- The use of quoted market prices in active or other public markets.
- The use of most recent transactions of similar instruments.
- Changes in expected technical milestones of the investee.
- Changes in management, strategy, litigation matters or other internal matters.
- Significant changes in the results of the investee compared with the budget, plan, or milestone.

As at December 31, 2021, the Company's private company equity investments of \$1,077,248 (2020 - \$nil) were recorded at fair value which was equivalent to amounts paid to acquire the investments at year end. There were no transfers between levels 2 and 3 during the years ended December 31, 2021 and 2020.

Financial Risk Factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) **Currency risk**

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company's operations are carried out in Canada and the United States. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at December 31, 2021, the Company had a foreign currency net monetary liability position of approximately US\$339,000. Each 10% change in the US dollar relative to the Canadian dollar will result in a foreign exchange gain/loss of approximately \$33,900.

b) **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is held in a large Canadian financial institution. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk. The Company's sales tax receivable is due from the Government of Canada and Revenu Quebec therefore, the credit risk exposure is low.

As at December 31, 2021, the maximum exposure to credit risk is the carrying value of the trade accounts receivable. The Company has not provided for an expected credit loss as management believes the receivables are fully collectible.

c) **Interest rate risk**

The Company has cash balances and minimal interest-bearing government loans payable. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks or credit unions.

d) **Commodity Price risk**

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of gold. The Company monitors metals prices to determine the appropriate course of action to be taken.

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning, and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

f) Market price risk

Market price risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments.

17. CAPITAL MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As an exploration stage company, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable. The Company's share capital is not subject to any external restrictions and the Company did not change its approach to capital management during the year.

18. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

| | For the year ended | |
|---|--------------------|-----------|
| | December 31, | |
| | 2021 | 2020 |
| | \$ | \$ |
| Supplemental non-cash disclosures | | |
| Exploration and evaluation asset in accounts payable | 1,007,046 | 369,342 |
| Net assets acquired on RTO (Note 4) | - | 2,064,387 |
| Exploration advances applied to exploration and evaluation assets | - | 220,349 |
| Recognition of right-of-use asset and lease liabilities | - | 18,937 |
| Reallocation of excess funding from the Tanacross project | - | 55,607 |
| Shares issued for exploration and evaluation assets | 32,143 | - |
| Options exercised | 63,856 | 9,404 |
| Warrants exercised | 35,912 | - |
| Options cancelled | 19,414 | - |
| Warrants expired | 88,372 | - |
| Reclassification of restricted share units issued | - | 100,000 |
| Value of shares received on sale of mineral properties | - | 150,000 |
| Share issuance costs in accounts payable and accrued liabilities | - | 182,755 |
| Broker warrants issued | - | 123,183 |

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

19. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of mineral properties. Geographic information is as follows:

| As at December 31, 2021 | | | |
|-----------------------------------|-----------|-----------|------------|
| | Canada | USA | Total |
| | \$ | \$ | \$ |
| Exploration and evaluation assets | 2,878,129 | 7,714,684 | 10,592,813 |
| Equipment | 9,597 | - | 9,597 |
| Right-of-use asset | 11,485 | - | 11,485 |
| | 2,899,211 | 7,714,684 | 10,613,895 |

| As at December 31, 2020 | | | |
|-----------------------------------|-----------|-----------|-----------|
| | Canada | USA | Total |
| | \$ | \$ | \$ |
| Exploration and evaluation assets | 1,000,752 | 2,275,751 | 3,276,503 |
| Equipment | 15,383 | - | 15,383 |
| Right-of-use asset | 39,042 | - | 39,042 |
| | 1,055,177 | 2,275,751 | 3,330,928 |

20. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2021 | 2020 |
|--|-----------|-------------|
| | \$ | \$ |
| Income (loss) for the year | 1,007,599 | (6,192,715) |
| Expected tax (recovery) | 267,000 | (1,641,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | 1,000 | (5,000) |
| Permanent differences | 81,000 | 282,000 |
| Listing fee on RTO | - | 1,170,000 |
| Share issue cost | (14,000) | - |
| Adjustment to prior years provision versus statutory tax returns | (436,000) | (61,000) |
| Change in unrecognized deductible temporary differences | 101,000 | 255,000 |
| Income tax expense (recovery) | - | - |

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

| | 2021 | 2020 |
|-----------------------------------|-----------|----------|
| | \$ | \$ |
| Deferred tax assets (liabilities) | | |
| Allowable capital losses | - | 36,000 |
| Property and equipment | (16,000) | (2,000) |
| Exploration and evaluation assets | (133,000) | (35,000) |
| Investment in equity instruments | (154,000) | (44,000) |
| Non-capital losses | 303,000 | 45,000 |
| Net deferred tax liability | - | - |

KENORLAND MINERALS LTD.

Notes to Consolidated Financial Statements
For the year ended December 31, 2021
(Expressed in Canadian Dollars)

20. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| | 2021 | Expiry Date Range | 2020 | Expiry Date Range |
|---|-----------|----------------------|---------|----------------------|
| | \$ | | \$ | |
| Temporary Differences | | | | |
| Exploration and evaluation assets | | - No expiry date | | - No expiry date |
| Property and equipment | | - No expiry date | 297,000 | No expiry date |
| Share issuance costs | 137,000 | 2038 to 2039 | 171,000 | 2038 to 2039 |
| Allowable capital losses | | - No expiry date | | - No expiry date |
| Non-capital losses available for future periods | | | | |
| Canada | 1,504,000 | 2036 to 2041 | 846,000 | 2036 to 2040 |
| USA | 84,000 | No expiry date | 32,000 | No expiry date |

21. SUBSEQUENT EVENTS

- a) In January 2022, the Company entered into a property option agreement with a wholly owned subsidiary of Centerra Gold Inc. ("Centerra") pursuant to which Kenorland has agreed to grant Centerra the option to acquire up to a 70% interest in the Hunter Property.

Pursuant to the property option agreement, Centerra can earn an initial 51% interest in the Hunter Property by incurring an aggregate of \$5,000,000 in mineral exploration expenditures on or before the fourth anniversary of the property option agreement (the "First Option"). Centerra can earn an additional 19% interest in the Hunter Property, for an aggregate 70% interest held (the "Second Option") by completing a technical report in respect of the Hunter Property that establishes a mineral resource of at least one million ounces of AuEq prepared in accordance with the requirements of National Instrument 43-101 of the Canadian Securities Administrators on or before the fourth anniversary of the exercise of the First Option, provided that Centerra must provide notice of its intent to exercise the Second Option within 90 days of the exercise of the First Option.

Following the earning of a 70% interest, Centerra and Kenorland will form a joint venture in respect of the Hunter Property. In the event a joint venture participant's interest is diluted to below 10%, it will exchange its joint venture interest for a net smelter returns royalty of 2% on currently unencumbered claims and 1.5% on claims currently encumbered by an existing royalty.

- b) In February 2022, the Company granted 1,375,000 stock options to directors, officers, and employees exercisable at a price of \$0.70 for a period of five years. The options vest 25% immediately followed by 25% every 6 months thereafter.
- c) In March 2022, the Company entered into a property option agreement with Double O Seven Resources Ltd. ("Double O"), a private British Columbia company. Pursuant to the agreement, Kenorland has agreed to grant Double O the option to acquire up to a 100% interest in the Separation property, which was staked by the Company in 2022, for aggregate payments of \$1,500,000 over 5 years. Upon completion of the property option agreement, Kenorland will retain a net smelter returns royalty of 2.5%.