



**WEST RED LAKE**  
GOLD MINES

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**THREE MONTHS ENDED FEBRUARY 28, 2023 AND 2022  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)**

## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim consolidated financial statements of West Red Lake Gold Mines Ltd. ("WRLG" or the "Company") have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of the unaudited condensed interim consolidated financial statements.

# West Red Lake Gold Mines Ltd.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	February 28, 2023	November 30, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,357,155	\$ 1,641,230
Sales tax receivable	48,120	13,750
Prepaid expenses	14,700	-
Deferred transaction costs	-	204,477
	<b>4,419,975</b>	<b>1,859,457</b>
Mineral properties (Notes 4 and 5)	<b>12,760,092</b>	-
<b>Total assets</b>	<b>\$ 17,180,067</b>	<b>\$ 1,859,457</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 217,161	\$ 71,433
<b>Total liabilities</b>	<b>217,161</b>	<b>71,433</b>
<b>Equity</b>		
Share capital (Note 6)	<b>36,309,289</b>	20,705,484
Reserves	<b>1,791,896</b>	198,059
Deficit	<b>(21,138,279)</b>	(19,115,519)
<b>Total equity</b>	<b>16,962,906</b>	<b>1,788,024</b>
<b>Total liabilities and equity</b>	<b>\$ 17,180,067</b>	<b>\$ 1,859,457</b>

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 9)

Subsequent events (Note 10)

Approved and authorized for issuance on behalf of the Board of Directors:

\_\_\_\_\_  
"Thomas W. Meredith" Director

\_\_\_\_\_  
"Susan Neale" Director

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

# West Red Lake Gold Mines Ltd.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended February 28,	
	2023	2022
		(Note 3)
<b>Expenses</b>		
Exploration and evaluation expenses (Note 5)	\$ 86,328	\$ -
Management and consulting (Note 7)	199,177	30,000
Office and administration	51,406	11,383
Professional fees	104,323	1,750
Regulatory and filing	44,352	3,464
Investor relations	25,109	-
Travel	4,735	-
Share-based compensation (Note 6)	1,530,293	-
	<b>(2,045,723)</b>	<b>(46,597)</b>
Finance income	22,963	2,697
<b>Loss and comprehensive loss</b>	<b>\$ (2,022,760)</b>	<b>\$ (43,900)</b>
Basic and diluted loss per share	\$ (0.05)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	39,914,301	14,868,066

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

## West Red Lake Gold Mines Ltd.

### Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital		Reserves	Deficit	Total equity
	Shares issued	Amount			
<b>At November 30, 2021</b>	14,868,066	\$ 20,705,484	\$ 198,059	\$ (18,923,210)	\$ 1,980,333
Loss and comprehensive loss	-	-	-	(43,900)	(43,900)
<b>At February 28, 2022</b>	14,868,066	\$ 20,705,484	\$ 198,059	\$ (18,967,110)	\$ 1,936,433
<b>At November 30, 2022</b>	14,868,066	\$ 20,705,484	\$ 198,059	\$ (19,115,519)	\$ 1,788,024
Asset acquisition (Note 4)	37,151,916	15,603,805	63,544	-	15,667,349
Share-based compensation	-	-	1,530,293	-	1,530,293
Loss and comprehensive loss	-	-	-	(2,022,760)	(2,022,760)
<b>At February 28, 2023</b>	52,019,982	\$ 36,309,289	\$ 1,791,896	\$ (21,138,279)	\$ 16,962,906

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

# West Red Lake Gold Mines Ltd.

## Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended February 28,	
	2023	2022
		(Note 3)
<b>Operating activities</b>		
Loss	\$ (2,022,760)	\$ (43,900)
Item not involving cash:		
Share-based compensation	1,530,293	-
Changes in non-cash working capital items:		
Sales tax receivable	108,036	(575)
Prepaid expenses	8,109	-
Accounts payable and accrued liabilities	(261,513)	820
	<b>(637,835)</b>	<b>(43,655)</b>
<b>Investing activities</b>		
Cash acquired from RLG (Note 4)	3,410,014	-
Transaction costs (Note 4)	(56,254)	-
	<b>3,353,760</b>	<b>-</b>
Change in cash and cash equivalents	2,715,925	(43,655)
Cash and cash equivalents, beginning	1,641,230	2,017,332
<b>Cash and cash equivalents, end</b>	<b>\$ 4,357,155</b>	<b>\$ 1,973,677</b>
<b>Cash and cash equivalents is comprised of:</b>		
Cash	4,346,662	-
Term deposits	10,493	-
	<b>\$ 4,357,155</b>	<b>\$ -</b>
<b>Supplemental cash flow information</b>		
Non-cash acquisition costs for RLG (Note 4)	\$ 15,667,349	\$ -
Sales tax receivable acquired from RLG (Note 4)	\$ 142,406	\$ -
Prepaid expenses acquired from RLG (Note 4)	\$ 22,809	\$ -
Accounts payable and accrued liabilities acquired from RLG (Note 4)	\$ 407,241	\$ -
Deferred transaction costs (Note 4)	\$ 204,477	\$ -
Exploration and evaluation expenses included in accounts payable and accrued liabilities	\$ -	\$ -

No cash was paid for income taxes during the three months ended February 28, 2023 or 2022.

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

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

---

### 1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act of Ontario as 'New Dolly Varden Minerals Inc.', and continued under the Business Corporations Act of British Columbia on November 27, 2017, as DLV Resources Ltd. The Company changed its name to West Red Lake Gold Mines Ltd. on December 29, 2022, and is listed on the TSX Venture Exchange ("TSXV") under the symbol 'WRLG'. The address of the Company's registered and records office is 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

On December 30, 2022, the Company acquired 100% of the issued and outstanding common shares of West Red Lake Gold Mines Inc. ("RLG") in exchange for common shares of the Company ("the Transaction") (see Note 4). As a result, the Company owns an interest in minerals titles and claims located in the Red Lake Gold District of Northwestern Ontario henceforth referred to as the Rowan Property. The Company is in the business of acquiring, exploring and developing properties in the Red Lake Gold District. The Company has yet to determine if the Rowan Property contains economically recoverable mineral reserves. The Company's continuing operations and the underlying value of the property is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of the property, obtaining the necessary permits to mine, future profitable production from any mine, and proceeds from the disposition of a property. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

As of February 28, 2023, the Company had working capital of \$4,202,814 (November 30, 2022 - \$1,788,024). The Company recorded a loss of \$2,022,760 for the period ended February 28, 2023, and had an accumulated deficit of \$21,138,279 at February 28, 2023 (November 30, 2022 - \$19,115,519) (see Note 4). The Company does not currently have a recurring source of revenue. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. The unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

The unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 1, 2023.

### 2. BASIS OF PRESENTATION

#### (a) *Statement of compliance*

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting and follow the same accounting policies, except as per Note 3, and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

#### (b) *Basis of measurement*

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, and using the accrual basis of accounting except for cash flow information.

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

---

### 2. BASIS OF PRESENTATION (continued)

#### (c) *Basis of consolidation*

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary West Red Lake Gold Mines (Ontario) Ltd.

The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

#### (d) *Functional and foreign currency*

The financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary. Foreign currency transactions are translated into Canadian dollars using the exchange rates at the date of the transactions. Foreign exchange gains or losses resulting from the settlement of transactions and from the translation at year-end rates of monetary assets and liabilities denominated in foreign currencies are recognized in income or loss.

#### (e) *Significant accounting judgments and estimates*

The critical judgments and estimates applied in the preparation of the unaudited condensed interim consolidated financial statements are consistent with those applied in the Company's audited annual financial statements as of and for the year ended November 30, 2022, except as described below:

##### Significant Accounting Judgments

###### *Asset Acquisition*

During the period ended February 28, 2023, the Company acquired RLG (Note 4). The process for determining the Company as the acquirer and the continuing entity for reporting purposes with respect to the Transaction was performed taking into consideration the entity whose owners or group retained the largest portion of the voting rights, significant shareholders, composition of the board and management of the combined entity. The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed and primary consideration was given to the exploration stage of mineral properties, among other items. Shares issued for the acquisition were valued on the issue date and the amount of net assets acquired in excess of the consideration paid was attributed to the mineral properties acquired.

##### Significant Accounting Estimate

###### *Share-Based Payments*

The fair value of share-based payments is determined using the Black-Scholes option pricing model. Such option pricing models require the input of subjective assumptions, including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statements as of and for the year ended November 30, 2022, except as described below:



# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

---

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Change in Accounting Policy – Exploration and Evaluation Expenditures

The Company has changed its accounting policy with respect to exploration and evaluation expenditures. Previously the Company's policy was to capitalize by property all costs directly related to the exploration and evaluation of mineral properties classified as exploration and evaluation assets. The Company has changed this accounting policy to now expense to operations exploration and evaluation expenditures as incurred, effective with the presentation of the unaudited condensed interim consolidated financial statements on a retroactive basis.

The change in accounting policy did not have an impact on prior period comparative numbers for the Company in the unaudited condensed interim consolidated financial statements as there were no exploration and evaluation expenditures incurred and capitalized.

### 4. ASSET ACQUISITION

On August 16, 2022, the Company entered into an arm's length binding letter agreement (the "LOI") with RLG, a Toronto-based mineral exploration company focused on gold exploration and development in the Red Lake Gold District of Northwestern Ontario, pursuant to which the Company agreed to acquire all of the issued and outstanding common shares of RLG in consideration of the issuance of 0.1215 (the "Exchange Ratio") of a WRLG common share for each RLG common share acquired. Completion of the Transaction was subject to RLG completing a flow-through financing to raise gross proceeds of \$4,100,000 (the "Financing"), in which WRLG assisted with sourcing subscribers, by August 31, 2022. The LOI was subsequently replaced by an amalgamation agreement entered into on September 15, 2022.

On December 30, 2022, the Transaction was completed and RLG amalgamated with 1000310732 Ontario Ltd., a wholly owned subsidiary of WRLG, to form a new amalgamated company called 'West Red Lake Gold Mines Inc.', which became a wholly owned subsidiary of WRLG, and subsequently changed its name to West Red Lake Gold Mines (Ontario) Ltd. on February 20, 2023 ("Subco").

Pursuant to the Transaction, the Company issued 24,964,548 shares to former RLG shareholders, and 10,487,368 shares to subscribers of the Financing (of which a major shareholder of the Company participated). Holders of convertible securities of RLG received convertible securities of the Company as adjusted by the Exchange Ratio, resulting in the issuance of replacement options of the Company to acquire 978,075 shares ("Replacement Options") and replacement warrants of the Company to acquire 538,603 shares ("Replacement Warrants"). The Company also issued an aggregate of 1,700,000 shares as finders fee to certain third parties in connection with the Transaction. On completion of the Transaction, the Company had 52,019,982 shares outstanding.

The Company has been identified as the acquirer and the continuing entity for reporting purposes and RLG the entity being acquired. The consideration paid on the acquisition of RLG has been accounted for as assets acquired and recorded in the accounts of the Company at its fair value determined as follows:

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

### 4. ASSET ACQUISITION (continued)

	December 30, 2022
<b>Consideration</b>	
35,451,916 common shares issued at a price of \$0.42 per share	\$ 14,889,805
978,075 Replacement Options	38,930
538,603 Replacement Warrants	24,614
1,700,000 common shares issued as finders fees at a price of \$0.42 per share	714,000
Transaction costs	260,731
	<b>\$ 15,928,080</b>
<b>Identifiable net assets</b>	
Cash and cash equivalents	3,410,014
Amounts receivable	142,406
Prepaid expenses and deposits	22,809
Exploration and evaluation	12,760,092
Accounts payable and accrued liabilities	(407,241)
	<b>\$ 15,928,080</b>

The shares issued were fair valued using the share price (converted based on the Exchange Ratio) obtained from a private placement in RLG that closed just prior to the change of control versus quoted market price as the Company's shares were thinly traded or not active.

The Replacement Options were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.83 - \$1.65; ii) expected share price volatility of 75%; iii) risk-free interest rate of 3.55% - 4.07%; iv) expected life of 0.08 - 4.02 years; v) no dividend yield. The Replacement Warrants were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.83 ii) expected share price volatility of 75%; iii) risk-free interest rate of 4.07%; iv) expected life of 1 year; v) no dividend yield.

### 5. EXPLORATION AND EVALUATION OF ASSETS

	Rowan Property	Total
	\$	\$
<b>Acquisition costs:</b>		
Balance, November 30, 2022	-	-
RLG asset acquisition (Note 4)	12,760,092	12,760,092
Balance, February 28, 2023	12,760,092	12,760,092

Details of the exploration and evaluation expenses that have been incurred on the Rowan Property are as follows:

	Three months ended February 28,	
	2023	2022
	\$	\$
<b>Exploration and evaluation expenses:</b>		
Supplies & camp costs	86,328	-
	86,328	-

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

---

### 5. EXPLORATION AND EVALUATION OF ASSETS (continued)

#### Rowan Property

On December 30, 2022, the Company completed the acquisition of the Rowan Property pursuant to the Transaction (Note 4). The 3100 hectare Rowan Property consists of three contiguous properties located in Red Lake Mining Division, District of Kenora (Patricia Portion), Northwestern Ontario. The Rowan Property is 20 kilometres (“km”) west of Balmertown, Ontario, 250km northeast of Winnipeg, Manitoba, 150km north northwest of Dryden, Ontario and 430km northwest of Thunder Bay, Ontario. The property is part of the historic Red Lake Gold District and hosts three past producing mines - Rowan Mine, Mount Jamie Mine, and Red Summit Mine.

The Rowan Property is comprised on 145 claims – 61 patented claims, 19 leased and 65 staked which includes the 117 claims under joint venture with Evolution Mining Limited (“Evolution Mining”) owning 28%. Subsequent to period end, the Company and Subco acquired Evolution Mining’s interest in those claims (Note 10).

Certain claims within the property are subject to a Net Smelter Royalty (“NSR”) ranging from 2% to 3%, some of which can be repurchased, with an annual advance royalty of \$10,000 plus a one-time payment of \$500,000 due on the Company completing a bankable feasibility study.

### 6. SHARE CAPITAL

#### **(a) Authorized**

Unlimited number of common shares without par value.

#### **(b) Issued and fully paid**

##### Three months ended February 28, 2023

During the period ended February 28, 2023, the Company issued an aggregate of 35,451,916 shares to the RLG shareholders in connection with the Transaction (Note 4).

During the period ended February 28, 2023, the Company issued an aggregate of 1,700,000 finders fee shares to certain third parties in connection with the Transaction (Note 4).

##### Year ended November 30, 2022

There were no shares issued during the year ended November 30, 2022.

#### **(c) Share options**

The Company has established a “rolling” Share Option Plan (the “Plan”). Under the Plan, the number of options reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than 10 years. The exercise price of each option shall not be less than the market price of the Company’s shares at the date of grant. Options vest as per the Plan at the discretion of the Board of Directors.

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

### 6. SHARE CAPITAL (continued)

A summary of the changes in options follows:

	Number of options	Weighted average exercise price
Balance, November 30, 2021 and 2022	-	\$ -
Granted	5,318,075	0.63
Expired	(145,800)	0.99
Balance, February 28, 2023	5,172,275	\$ 0.62

As of February 28, 2023, the following options were outstanding:

Outstanding	Exercisable	Exercise price	Expiry date
328,050 <sup>(1)</sup>	328,050	\$ 1.65	July 13, 2023
60,750 <sup>(1)</sup>	60,750	1.65	August 5, 2023
54,675 <sup>(1)</sup>	54,675	1.65	September 20, 2023
206,550 <sup>(1)</sup>	206,550	0.83	June 20, 2024
133,650 <sup>(1)</sup>	133,650	0.83	March 12, 2025
48,600 <sup>(1)</sup>	48,600	0.83	January 4, 2027
3,775,000	3,775,000	0.50	December 30, 2032
565,000	65,000	0.50	February 13, 2033
<u>5,172,275</u>	<u>4,672,275</u>		

(1) Replacement Options

In connection with the Transaction, the Company issued 978,075 Replacement Options to holders of RLG options during the period ended February 28, 2023 (Note 4).

In December 2022, the Company granted 3,775,000 options to directors, officers, and consultants of the Company and to certain charitable organizations exercisable at \$0.50 per share until December 30, 2032, with a value of \$1,511,893. The options vested immediately and were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.50; ii) expected share price volatility of 75%; iii) risk-free interest rate of 3.30%; iv) expected life of 10 years; v) no dividend yield.

In February 2023, the Company granted 65,000 options to consultants of the Company exercisable at \$0.50 per share until February 13, 2033, with a value of \$18,400. The options vested immediately and were fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.50; ii) expected share price volatility of 75%; iii) risk-free interest rate of 3.11%; iv) expected life of 10 years; v) no dividend yield.

In February 2023, the Company granted 500,000 options to consultants of the Company exercisable at \$0.50 per share until February 13, 2033, with a value of \$132,400. The options vest over a period of three years and are fair valued using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of \$0.50; ii) expected share price volatility of 75%; iii) risk-free interest rate of 3.11%; iv) expected life of 7 years - 9.75 years; v) no dividend yield.

During the period ended February 28, 2023, 145,800 options with an exercise price of \$0.99 expired.

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

### 6. SHARE CAPITAL (continued)

#### (d) Restricted Share Unit and Deferred Share Unit Compensation Plan

The Company has established a “fixed” restricted share unit and deferred share unit compensation plan (the “RSU/DSU Plan”). Under the RSU/DSU Plan the maximum number of restricted share units and deferred share units (“Awards”) that may be reserved is 5,070,077 Awards.

As of February 28, 2023, there were no Awards issued under the RSU/DSU Plan.

#### (e) Warrants

A summary of the changes in warrants follows:

	Number of warrants	Weighted average exercise price
Balance, November 30, 2021 and 2022	-	\$ -
Issued	538,603	0.83
Balance, February 28, 2023	538,603	\$ 0.83

As of February 28, 2023, the following warrants were outstanding:

Outstanding and exercisable	Exercise price	Expiry date
538,603	\$ 0.83	December 29, 2023

In connection with the Transaction, the Company issued 538,603 Replacement Warrants to holders of RLG warrants during the period ended February 28, 2023 (Note 4).

### 7. RELATED PARTY TRANSACTIONS

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and includes officers and directors of the Company. During the period ended February 28, 2023, remuneration to officers and directors of the Company was as follows:

- \$20,000 (2022: \$nil) to the Chief Executive Officer of the Company.
- \$6,000 (2022: \$nil) to a company controlled by a director of the Company.

Officers and directors of the Company were also reimbursed for out of pocket expenses that occur in the normal course of operations.

As of February 28, 2023, accounts payable and accrued liabilities includes amounts owing to officer and directors, or companies controlled by officers and directors, of \$6,000 (November 30, 2022 - \$nil).

There was \$540,675 for vested options granted to directors and officers of the Company included in share-based compensation for the period ended February 28, 2023 (2022 - \$nil).

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

---

### 8. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments. There were no changes in the Company's objectives, policies, and processes for measuring and managing risk, and the Company's management of capital during the periods presented.

#### *Fair Value*

The fair value of the Company's financial assets and liabilities approximate their carrying values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 – Inputs that are not based on observable market data.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. Fair value measurements, which are determined by using valuation techniques, are classified in their entirety as either Level 2 or Level 3 based on the lowest level input that is significant to the measurement.

### 9. COMMITMENTS AND CONTINGENCIES

As part of the Transaction with RLG, Subco has assumed the obligation to spend \$4,400,000 in eligible flow-through expenditures prior to December 31, 2023. As of February 28, 2023, the balance of the obligation is approximately \$4,310,000. While Subco intends to satisfy the obligation to spend eligible flow expenditures, there can be no assurance that it will do so. If Subco does not incur the amount of the eligible flow-through expenditures by December 31, 2023, or if there is a reduction in such amount renounced pursuant to the provisions of the Income Tax Act, Subco shall indemnify the purchaser for an amount equal to the amount of any tax payable or that may become payable under the Income Tax Act (and under any corresponding provincial legislation) by the purchaser as a consequence of such failure or reduction; however, there is no guarantee that the Company or Subco will have the financial resources required to satisfy such indemnity.

### 10. SUBSEQUENT EVENTS

#### Joint Venture Interest Purchase Agreement

On February 23, 2023, the Company and Subco entered into a joint venture interest purchase agreement with Evolution Mining to purchase Evolution Mining's 28% interest in certain claims on the Rowan Property increasing the Company's ownership of those claims to 100% (the "Purchase Agreement"). On closing of the Purchase Agreement, the Company paid \$250,000 and issued 3,645,000 common shares to Evolution Mining on March 8, 2023, and granted a 2.5% NSR to Evolution Mining on certain claims on the Rowan Property. The Company also issued an aggregate of 182,250 success fee shares to certain third parties in connection with the Purchase Agreement.

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

---

### 10. SUBSEQUENT EVENTS (continued)

#### Pure Gold Acquisition

On April 17, 2023, the Company announced that it had entered into a binding letter agreement with Pure Gold Mining Inc. ("Pure Gold") and Sprott Resource Lending Corp. ("Sprott") to acquire the Madsen gold mine and associated land package (the "Madsen Mine"), in the Red Lake Gold District of Northwestern Ontario, through the acquisition of all of the issued and outstanding shares of Pure Gold (the "Madsen Acquisition"), subject to approval of the British Columbia Supreme Court in Pure Gold's continuing proceedings pursuant to the Companies Creditors Arrangement Act (the "CCAA Proceedings"). The Madsen Acquisition will be completed pursuant to a reverse vesting order obtained in the CCAA Proceedings. The Company has agreed to pay \$6,500,000 in cash, issue 28,460,000 common shares and grant a 1.0% secured NSR on the Madsen Mine as consideration for the Madsen Acquisition. The share and NSR consideration is expected to accrue to Sprott as a fund managed by Sprott is the senior secured lender to Pure Gold.

In addition, up to US\$10,000,000 in deferred consideration is payable upon a change of control of the Company and the Company has the right to pay down any part of the deferred consideration prior to any change of control of Company. Sprott shall have the right to nominate and appoint a director to the Company's board, as long as Sprott or an affiliate owns 15% or more of the issued and outstanding shares of the Company. Upon closing of the Madsen Acquisition and the concurrent financing, it is anticipated that Sprott will own approximately 24% of the outstanding shares of the Company. Sprott may, at its election, convert such portion of the US\$10,000,000 deferred consideration into shares as is necessary to maintain such interest, upon completion of any future equity, merger, acquisition or other corporate transaction. Sprott has advised the Company of its intention to convert a sufficient portion of the deferred consideration to maintain its 24% interest following the currently contemplated financings. Maintaining such interest assuming the completion of \$25,600,000 in financings would require issuance of up to 12,270,677 common shares to Sprott at \$0.35 per share, which would result in a reduction in the deferred consideration amount by \$4,294,737.

Closing of the Madsen Acquisition is subject to various conditions precedent including receipt of all required regulatory approvals including the approval of the TSXV, receipt of the reverse vesting order from the Supreme Court of British Columbia and the parties entering into a definitive agreement for the Madsen Acquisition. Closing is expected to occur in the very near term.

Pursuant to the binding letter agreement referenced above, Frank Giustra and a group of associates agreed to guarantee the initial \$6,500,000 cash payment for the Madsen Acquisition and in consideration for that guarantee will receive warrants to purchase 3,750,000 shares of the Company exercisable at \$0.42 per share for five years. Fiore Management and Advisory Corp. has acted as advisor in connection with the Madsen Acquisition and will receive 5% in advisory fees.

In connection with the Madsen Acquisition, the Company has entered into a "bought deal" engagement letter with Canaccord Genuity Corp. (the "Underwriter") for a private placement of 57,143,000 subscription receipts (the "Subscription Receipts") at a price of \$0.35 per Subscription Receipt for aggregate gross proceeds of \$20,000,050 (the "Offering"). The Underwriter has been granted an option to sell up to an additional 14,286,000 Subscription Receipts for additional gross proceeds of \$5,000,100. Closing of the Offering is expected to occur on or before May 9, 2023, with the gross proceeds from the Offering to be placed into escrow pending satisfaction of certain escrow release conditions, including satisfaction of all conditions to completion of the Madsen Acquisition. Upon the escrow release conditions being met, each Subscription Receipt will automatically convert, for no additional consideration, into one share of the Company. In the event that the escrow release conditions are not satisfied within 90 days of the closing of the Offering, the proceeds of the Offering will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled.

The Company has also agreed to complete a non-brokered private placement of \$600,000 in flow-through shares to Frank Giustra at a price of \$0.35 per share.

# West Red Lake Gold Mines Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

February 28, 2023

(Expressed in Canadian dollars)

(Unaudited)

---

### 10. SUBSEQUENT EVENTS (continued)

#### Option Grant

In March 2023, the Company granted 200,000 options to a consultant of the Company exercisable at \$0.50 per share until March 28, 2028. The options vest over a period of three years.