



WEST RED LAKE GOLD MINES

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**THREE AND SIX MONTHS ENDED MAY 31, 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 condensed interim consolidated financial statements.

West Red Lake Gold Mines Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	May 31, 2023	November 30, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 2,294,685	\$ 1,641,230
Subscription receipts (Notes 6,10)	24,790,150	-
Sales tax receivable	238,425	13,750
Prepaid expenses	95,230	-
Deferred transaction costs (Note 10)	560,922	204,477
	27,979,412	1,859,457
Mineral properties (Notes 4 and 5)	14,214,101	-
Total assets	\$ 42,193,513	\$ 1,859,457
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 1,024,145	\$ 71,433
Subscription receipts (Notes 6,10)	24,790,150	-
Total liabilities	25,814,295	71,433
Equity		
Share capital (Note 6)	37,704,937	20,705,484
Reserves	1,871,262	198,059
Deficit	(23,196,981)	(19,115,519)
Total equity	16,379,218	1,788,024
Total liabilities and equity	\$ 42,193,513	\$ 1,859,457

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 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 May 31,		Six months ended May 31,	
	2023	2022	2023	2022
				(Note 3)
Expenses				
Exploration and evaluation expenses (Note 5)	\$ 1,425,214	\$ -	\$ 1,511,542	\$ -
Management and consulting (Note 7)	293,105	30,000	492,282	60,000
Office and administration	36,544	6,180	87,950	17,563
Professional fees	33,524	2,650	137,847	4,400
Regulatory and filing	40,782	3,350	85,134	6,814
Investor relations	134,689	-	159,798	-
Travel	56,375	-	61,110	-
Share-based compensation (Note 6)	79,366	-	1,609,659	-
	(2,099,599)	(42,180)	(4,145,322)	(88,777)
Finance income	40,897	5,189	63,860	7,886
Loss and comprehensive loss	\$ (2,058,702)	\$ (36,991)	\$ (4,081,462)	\$ (80,891)
Basic and diluted loss per share	\$ (0.04)	\$ (0.00)	\$ (0.09)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	55,697,883	14,868,066	47,916,576	14,868,066

The accompanying notes are an integral part of these 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			
At November 30, 2021	14,868,066	\$ 20,705,484	\$ 198,059	\$ (18,923,210)	\$ 1,980,333
Loss and comprehensive loss	-	-	-	(80,891)	(80,891)
At May 31, 2022	14,868,066	\$ 20,705,484	\$ 198,059	\$ (19,004,101)	\$ 1,899,442
At November 30, 2022	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
Acquisition of JV interest (Note 5)	3,827,250	1,185,648	-	-	1,185,648
Private placement (Note 6)	600,000	210,000	-	-	210,000
Share-based compensation (Note 6)	-	-	1,609,659	-	1,609,659
Loss and comprehensive loss	-	-	-	(4,081,462)	(4,081,462)
At May 31, 2023	56,447,232	\$ 37,704,937	\$ 1,871,262	\$ (23,196,981)	\$ 16,379,218

The accompanying notes are an integral part of these financial statements

West Red Lake Gold Mines Ltd.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Six months ended May 31,	
	2023	2022
		(Note 3)
Operating activities		
Loss	\$ (4,081,462)	\$ (80,891)
Item not involving cash:		
Share-based compensation	1,609,659	-
Changes in non-cash working capital items:		
Sales tax receivable	(82,269)	671
Prepaid expenses	(72,422)	-
Accounts payable and accrued liabilities	21,225	1,506
	(2,605,269)	(78,714)
Investing activities		
Cash acquired from RLG (Note 4)	3,410,014	-
Transaction costs	(92,928)	-
Acquisition of JV interest (Note 5)	(258,361)	-
Royalties	(10,000)	-
	3,048,724	-
Financing activities		
Proceeds on issuance of common shares, net of share issuance costs	210,000	-
	210,000	-
Change in cash and cash equivalents	653,455	(78,714)
Cash and cash equivalents, beginning	1,641,230	2,017,332
Cash and cash equivalents, end	\$ 2,294,685	\$ 1,938,618
Cash and cash equivalents is comprised of:		
Cash	2,228,185	-
Term deposits	66,500	-
	\$ 2,294,685	\$ -
Supplemental cash flow information		
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	\$ -
Non-cash acquisition costs for acquisition of JV interest (Note 5)	\$ 1,185,648	\$ -
Deferred transaction costs included in accounts payable and accrued liabilities	\$ 524,247	\$ -

No cash was paid for income taxes during the period ended May 31, 2023 or 2022.

The accompanying notes are an integral part of these financial statements

West Red Lake Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 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 May 31, 2023, the Company had working capital of \$2,165,117 (November 30, 2022 - \$1,788,024). The Company recorded a loss of \$4,081,462 for the period ended May 31, 2023, and had an accumulated deficit of \$23,196,981 as of May 31, 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 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 financial statements were approved and authorized for issuance by the Board of Directors on July 26, 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 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

May 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

2. BASIS OF PRESENTATION (continued)

(c) *Basis of consolidation*

The 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 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 May 31, 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 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

May 31, 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 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 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

May 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

4. ASSET ACQUISITION (continued)

	December 30, 2022
Consideration	
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
	\$ 15,928,080
Identifiable net assets	
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)
	\$ 15,928,080

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
	\$	\$
Acquisition costs:		
Balance, November 30, 2022	-	-
RLG asset acquisition (Note 4)	12,760,092	12,760,092
Acquisition of JV interest	1,444,009	1,444,009
Royalties	10,000	10,000
Balance, May 31, 2023	14,214,101	14,214,101

West Red Lake Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

5. EXPLORATION AND EVALUATION OF ASSETS (continued)

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

	Six months ended May 31,	
	2023	2022
	\$	\$
Exploration and evaluation expenses:		
Consulting & wages	277,007	-
Drilling	650,021	-
Lab analysis	247,747	-
Logistics	144,184	-
Supplies & camp costs	192,583	-
	<u>1,511,542</u>	<u>-</u>

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.

On February 23, 2023, the Company and Subco entered into a joint venture interest purchase agreement with Evolution Mining ("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 shares with a value of \$1,129,150 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 with a value of \$56,498 to certain third parties in connection with the Purchase Agreement and incurred transaction costs of \$8,361.

The Rowan Property is comprised on 145 claims – 61 patented claims, 19 leased and 65 staked which includes the 117 claims.

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

Subscription receipt financing

In connection with the Madsen Acquisition (refer to Note 10), the Company completed a bought deal financing for 70,829,000 subscription receipts ("Subscription Receipts") at a price of \$0.35 per Subscription Receipt for aggregate gross proceeds of \$24,790,150 (the "Offering"). The gross proceeds from the Offering were placed

West Red Lake Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

6. SHARE CAPITAL (continued)

into escrow pending satisfaction of certain escrow release conditions, including satisfaction of all conditions to completion of the Madsen Acquisition. The Madsen Acquisition was completed on June 16, 2023 and the escrow release conditions were met, with each Subscription Receipt being converted, for no additional consideration, into one share of the Company.

As consideration, the Underwriter received cash commission of \$1,090,924 and 3,714,300 broker warrants ("Broker Warrants"), with each Broker Warrant entitling the holder to acquire one share of the Company at a price of \$0.35 per share until June 16, 2025.

Share issued during the period ended May 31, 2023

During the period ended May 31, 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 May 31, 2023, the Company issued an aggregate of 1,700,000 finders fee shares to certain third parties in connection with the Transaction (Note 4).

During the period ended May 31, 2023, the Company issued an aggregate of 3,827,250 shares to Evolution Mining in connection with the Purchase Agreement (Note 5).

During the period ended May 31, 2023, the Company issued 600,000 shares by way of a private placement at price of \$0.35 per share concurrent with the Offering.

Shares issued during the 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.

A summary of the changes in options follows:

	Number of options	Weighted average exercise price
Balance, November 30, 2021 and 2022	-	\$ -
Granted	5,518,075	0.63
Expired	(145,800)	0.99
Balance, May 31, 2023	5,372,275	\$ 0.62

West Red Lake Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

6. SHARE CAPITAL (continued)

As of May 31, 2023, the following options were outstanding:

Outstanding	Exercisable	Exercise price	Expiry date
328,050 ⁽¹⁾	328,050	\$ 1.65	July 13, 2023
60,750 ⁽¹⁾	60,750	1.65	August 5, 2023
54,675 ⁽¹⁾	54,675	1.65	September 20, 2023
206,550 ⁽¹⁾	206,550	0.83	June 20, 2024
133,650 ⁽¹⁾	133,650	0.83	March 12, 2025
48,600 ⁽¹⁾	48,600	0.83	January 4, 2027
200,000	-	0.50	March 28, 2028
3,775,000	3,775,000	0.50	December 30, 2032
565,000	190,000	0.50	February 13, 2033
<u>5,372,275</u>	<u>4,797,275</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 May 31, 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 fair 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 fair 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 fair 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.

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, with a fair value of \$52,858. 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 2.90%; iv) expected life of 2 years - 4.75 years; v) no dividend yield.

Share-based compensation expense of \$1,609,659 was recognized on the statement of loss and comprehensive loss during the period ended May 31, 2023 (2022: \$nil), \$79,366 of which related to options that did not vest immediately (2022: \$nil). As of May 31, 2023, there 575,000 non-vested options and \$105,982 of non-vested share-based compensation expense not yet recognized. This expense is expected to be recognized through fiscal 2026.

During the period ended May 31, 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

May 31, 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 5,201,998 Awards.

As of May 31, 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, May 31, 2023	538,603	\$ 0.83

As of May 31, 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 May 31, 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 May 31, 2023, remuneration to officers and directors of the Company was as follows:

- \$75,000 (2022: \$nil) to the Chief Executive Officer of the Company.
- \$18,000 (2022: \$nil) to certain directors of the Company.
- \$36,750 (2022: \$nil) to a company controlled by a former 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 May 31, 2023, accounts payable and accrued liabilities includes amounts owing to officer and directors, or companies controlled by officers and directors, of \$33,469 (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 May 31, 2023 (2022 - \$nil).

West Red Lake Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 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 May 31, 2023, the balance of the obligation is approximately \$2,888,500. 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

Madsen Acquisition

On May 17, 2023, the Company announced that it had entered into a definitive share purchase agreement (the "SPA") with Pure Gold Mining Inc. ("Pure Gold") and a fund managed by 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 common shares of Pure Gold (the "Madsen Acquisition").

On June 16, 2023, the Company completed the Madsen Acquisition, pursuant to the Approval and Reverse Vesting Order (the "Order") granted by the British Columbia Supreme Court in Pure Gold's proceedings under the *Companies Creditors Arrangement Act*. Pursuant to the terms of the Order and the SPA the Company paid \$6,500,000 in cash, granted a 1% secured net smelter royalty on the Madsen Mine to Sprott, and issued 32,566,174 and 8,164,503 shares on June 16, 2023 and June 29, 2023, respectively to a fund managed by Sprott.

West Red Lake Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

May 31, 2023

(Expressed in Canadian dollars)

(Unaudited)

10. SUBSEQUENT EVENTS (continued)

A further US\$6,783,932 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 may, at its election, convert such portion of the US\$6,783,932 deferred consideration into shares as is necessary to maintain such interest, upon completion of any future equity, merger, acquisition or other corporate transaction.

In connection with the Madsen Acquisition, the Company paid finders fees of \$325,000 in cash and issued 2,036,534 shares. A further 3,750,000 warrants were issued to certain parties in consideration for guarantees of the initial payments required pursuant to the Madsen Acquisition, exercisable at \$0.42 per share until June 16, 2028.

Upon completion of the Madsen Acquisition, each Subscription Receipt was converted, for no additional consideration, into one share of the Company.

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

As of May 31, 2023, \$560,922 has been recognized as deferred transaction costs on the statement of financial position in relation to the Madsen Acquisition and issuance of Subscriptions Receipts.

Financing

In July 2023, the Company announced a non-brokered private placement for the issuance of up to 8,571,428 flow-through shares at a price of \$0.70 per share for gross proceeds of up to \$6,000,000.

Option Grant

In June 2023, the Company granted 7,090,000 options to directors, officers, and consultants of the Company exercisable at \$0.62 per share until June 26, 2028.

RSU/DSU Grants

In June 2023, the Company granted 1,910,000 RSUs to officers of the Company, exercisable until June 26, 2026, and 600,000 DSUs to directors of the Company.