

Condensed Financial Statements

Mayo Lake Minerals Inc.

(unaudited)

March 31, 2023

The accompanying interim financial statements of Mayo Lake Minerals Inc. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's Audit Committee and Board of Directors has reviewed and approved these interim financial statements.

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Mayo Lake Minerals Inc.

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars) - unaudited

As at

March 31,
2023

December 31,
2022

Assets

Current

| | | |
|---------------------------|--------------|---------------|
| Cash and cash equivalents | \$ 6,003 | \$ 3,720 |
| Sales tax receivable | 13,038 | 15,988 |
| Prepaid expenses | <u>4,474</u> | <u>10,034</u> |

Total current assets 23,515 29,742

Property, plant and equipment -
Mineral exploration and evaluation assets (Note 4) 5,839,278 5,824,938

Total assets \$ 5,862,793 \$ 5,854,680

Liabilities

Current

| | | |
|---|---------------|---------------|
| Accounts payable and accrued liabilities | \$ 216,732 | \$ 188,765 |
| Flow through share premium liability (Note 5) | 14,487 | 14,487 |
| Government assistance (Note 7) | <u>60,000</u> | <u>60,000</u> |

Total current liabilities 291,219 263,252

Long-term note payable (Note 6) 29,125 31,000
Long-term due to related parties (Note 8) 244,388 235,446

Long-term liabilities 273,513 266,446

Total liabilities 564,732 529,698

Shareholders' equity

| | | |
|------------------------|--------------------|--------------------|
| Capital stock (Note 9) | 7,533,920 | 7,445,273 |
| Warrants (Note 9) | 795,391 | 765,052 |
| Contributed surplus | 405,221 | 337,959 |
| Accumulated deficit | <u>(3,436,471)</u> | <u>(3,223,302)</u> |

Total shareholders' equity 5,298,061 5,324,982

Total liabilities and shareholders' equity \$ 5,862,793 \$ 5,854,680


Going concern (Note 2)

Subsequent events (Note 12)

Approved on behalf of the Board



Director



Director

Mayo Lake Minerals Inc.**Condensed Interim Statements of Loss and Comprehensive Loss**

(Expressed in Canadian dollars) - unaudited

For the three months ended March 31

| | 2023 | 2022 |
|--|---------------------|---------------------|
| Expenses | | |
| General and administration | \$ 69,824 | \$ 65,794 |
| Investor relations and promotion | 35,956 | 16,564 |
| Legal and regulatory | 12,849 | 18,470 |
| Interest and bank charges | 181 | 172 |
| Interest on promissory notes | 5,854 | 6,094 |
| Share base compensation | 84,297 | 2,989 |
| Interest discounting expense | 4,213 | 3,504 |
| | <u>213,174</u> | <u>113,587</u> |
| Other Income | | |
| Interest income | <u>5</u> | <u>599</u> |
| Net loss and comprehensive loss | <u>\$ (213,169)</u> | <u>\$ (112,988)</u> |
| Weighted average number of common shares | <u>90,843,634</u> | <u>89,040,238</u> |
| Basic and diluted loss per share | <u>(0.002)</u> | <u>(0.001)</u> |

See accompanying notes to the financial statements

Mayo Lake Minerals Inc.

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian dollars) - unaudited

| | Capital stock | | Reserves | | Accumulated Deficit | Total |
|--|--------------------------|----------------------------|--------------------------|--------------------------|-----------------------------|----------------------------|
| | Shares | Amount | Warrant reserves | Contributed Surplus | | |
| Balance, December 31, 2021 | <u>88,161,227</u> | <u>\$ 6,991,925</u> | <u>\$ 651,566</u> | <u>\$ 152,220</u> | <u>\$(2,756,871)</u> | <u>\$ 5,038,840</u> |
| Initial public offering net of issuance costs | 2,637,034 | 165,575 | 64,344 | - | - | 229,919 |
| DSU quarterly expense | - | - | - | 2,989 | - | 2,989 |
| Net loss and comprehensive loss | - | - | - | - | (112,988) | (112,988) |
| Balance, March 31, 2022 | <u>90,798,261</u> | <u>\$ 7,157,500</u> | <u>\$ 715,910</u> | <u>\$ 155,209</u> | <u>(2,869,859)</u> | <u>\$ 5,158,760</u> |
| Private placements, net of issuance costs (note 9) | 3,172,977 | 271,488 | 65,427 | - | - | 336,915 |
| Stock options issuance | - | - | - | 173,784 | - | 173,784 |
| DSU quarterly expense | - | - | - | 8,966 | - | 8,966 |
| Net loss and comprehensive loss | - | - | - | - | (353,443) | (353,443) |
| Balance, December 31, 2022 | <u>93,971,237</u> | <u>\$ 7,445,273</u> | <u>\$ 765,052</u> | <u>\$ 337,959</u> | <u>(3,223,302)</u> | <u>\$ 5,324,982</u> |
| Private placement, net of issuance costs (note 9) | 1,716,700 | 53,331 | 48,621 | - | - | 101,952 |
| RSU issuance expense | - | - | - | 25,465 | - | 25,465 |
| RSU issuance of shares | 243,352 | 17,034 | - | (17,034) | - | - |
| DSU quarterly expense | - | - | - | 2,989 | - | 2,989 |
| Stock option expense | - | - | - | 55,842 | - | 55,842 |
| Expiry of warrants | - | 18,282 | (18,282) | - | - | - |
| Net loss and comprehensive loss | - | - | - | - | (213,169) | (213,169) |
| Balance, March 31, 2023 | <u>95,931,289</u> | <u>\$ 7,533,920</u> | <u>\$ 795,391</u> | <u>\$ 405,221</u> | <u>(3,436,471)</u> | <u>\$ 5,298,061</u> |

See accompanying notes to the financial statements

Mayo Lake Minerals Inc.**Condensed Interim Statements of Cash Flows**

(Expressed in Canadian dollars) - unaudited

For the three months ended March 31

2023**2022**

Cash flows from operating activities

| | | |
|--|-----------------|------------------|
| Net loss | \$ (213,169) | \$ (112,989) |
| Items not affecting cash: | | |
| Accretion expense | - | - |
| Change in non-cash working capital items: | | |
| Prepaid expenses | 5,560 | 87,821 |
| Share based compensation | 84,297 | |
| Sales tax receivable | 2,950 | 28,983 |
| Accounts payable and accrued liabilities | 27,967 | (253,573) |
| Net cash used in operating activities | (92,395) | (249,758) |

Cash flows used in investing activities:

| | | |
|---|----------|----------|
| Exploration and evaluation expenditures | (14,340) | (38,187) |
|---|----------|----------|

Net cash used in investing activities

| | |
|----------|----------|
| (14,340) | (38,187) |
|----------|----------|

Cash flows from financing activities:

| | | |
|--------------------------------|---------|---------|
| Demand notes payable | (1,875) | 1,125 |
| Repayments to related parties | 8,942 | 8,473 |
| Issuance of capital stock, net | 101,951 | 232,907 |
| Share subscription | - | - |

Net cash from financing activities

| | |
|---------|---------|
| 109,018 | 242,506 |
|---------|---------|

| | | |
|---------------------------------------|-------|----------|
| Increase in cash and cash equivalents | 2,283 | (45,439) |
|---------------------------------------|-------|----------|

| | | |
|--|-------|-----------|
| Cash and cash equivalents, beginning of period | 3,720 | 1,104,056 |
|--|-------|-----------|

| | | |
|--|----------|--------------|
| Cash and cash equivalents, end of period | \$ 6,003 | \$ 1,058,617 |
|--|----------|--------------|

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ending March 31, 2023

1. Nature of business

Mayo Lake Minerals Inc. (referred to herein as the "Company") is an exploration stage junior mining company that was incorporated on September 7, 2011 under the laws of Ontario, Canada. The Company is engaged in the identification, evaluation and exploration of mineral properties in Yukon, Canada. The Company has not yet determined whether any of its properties contain mineral resources that are economically recoverable. The recoverability of any amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The Company became a reporting issuer on December 15, 2021 with its registered office at 110 Westhunt Drive, Unit 2, Carp (Ottawa), Ontario, Canada. The Company was listed on the CSE on May 5, 2022.

2. Going concern

The Company is an exploration stage company. At present, its operations do not generate cash flow. The Company incurred a net loss of \$213,169 during the three months ended March 31, 2023 (March 31, 2022 - \$112,988) and, as of that date, its accumulated deficit was \$3,436,471 (December 31, 2022 - \$3,223,302) and its working capital stood at a deficiency of \$267,704 (March 31, 2022 – surplus of \$797,976).

The Company's ability to continue as a going concern in 2023 and beyond is dependent on its capacity to obtain adequate financing on reasonable terms from investors and lenders in order to explore and develop its assets; and to commence profitable operations in the future. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to successfully do so in the future. These factors indicate the existence of material uncertainty which may cast some doubt on its ability to continue as a going concern in the future. After reviewing the current cash position and having considered the Company's ability to raise funds in the short term, the directors have adopted the going concern basis in preparing its financial statements.

The ability of the Company to recover the costs it has incurred to date on exploration and evaluation is dependent upon it being able to identify a commercial ore body, finance further exploration and development costs and to resolve any environmental, regulatory, and other constraints which may hinder the successful development of its assets.

The accompanying financial statements do not include any adjustments relating to the recoverability of assets and to the reclassification of asset and liability amounts that might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

3. Basis of presentation, critical accounting, judgements and key estimation uncertainties**Basis of presentation**

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with IFRS as issued by the IASB have been condensed or omitted and these unaudited condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2022.

These condensed interim financial statements were approved by the Board of Directors on May XX, 2023.

The accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those applied and disclosed in the Company's audited financial statements for the year ended December 31, 2022 and as discussed below.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed interim financial statements are consistent with those applied and disclosed in Note 2 of the Company's audited financial statements for the year ended December 31, 2022 and as discussed below.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Critical accounting estimates and judgments and key estimation uncertainties

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates. Revisions to accounting estimates, or changes to judgments, are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions that management has made about current unknowns, the future, and other sources of uncertainty, could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include by are not limited to, the following:

3. Basis of presentation, critical accounting, judgements and key estimation uncertainties (continued)

Share-based payments and share purchase warrants - The fair value of share-based payments and compensation is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices from similar types of companies, changes in subject input assumptions can materially affect the fair value estimate. The Black Scholes model incorporated inputs such as the risk-free rate, volatility by reference to comparable companies, estimated life and forfeiture rate.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

Recoverability of mineral exploration and evaluation assets – The assessment of impairment of mineral exploration and evaluation assets requires judgment to determine whether indicators of impairment exist including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of mineral property interests are budgeted and results of exploration activities up to the reporting date. The Company has determined that there are no indicators of impairment.

Deferred Taxes – Until such time as the Company has certainty as to future profits, deferred tax assets and liabilities are not recognized.

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31, 2023

4. Mineral exploration and evaluation assets

A summary of the changes in exploration and evaluation assets is presented below for the periods ending March 31, 2022, December 31 2022 and March 31, 2023.

| | Anderson- Davidson | Edmonton | Cascade | Carlin- Roop | Trail-Minto | Total |
|-----------------------------------|-----------------------|-------------------|------------------|---------------------|-------------------|---------------------|
| Balance, December 31, 2021 | \$ 1,882,815 | \$ 460,898 | \$ 63,707 | \$ 1,685,012 | \$ 545,084 | \$ 4,637,516 |
| Expenditures: | | | | | | |
| Claim fees | 3,448 | - | - | 4,650 | - | 8,098 |
| Exploration | 11,358 | - | - | 18,731 | - | 30,089 |
| Balance, March 31, 2022 | \$ 1,897,621 | \$ 460,898 | \$ 63,707 | \$ 1,708,393 | \$ 545,084 | \$ 4,675,703 |
| Expenditures: | | | | | | |
| Claim fees | - | 2,635 | 280 | - | 2,394 | 5,309 |
| Exploration | 72,938 | 26,094 | 2,872 | 939,528 | 102,494 | 1,143,926 |
| Balance, December 31, 2022 | \$ 1,970,559 | \$ 489,627 | \$ 66,859 | \$ 2,647,921 | \$ 649,972 | \$ 5,824,938 |
| Expenditure | | | | | | |
| Claim fees | - | - | - | - | - | - |
| Exploration | 2,133 | - | - | 12,207 | - | 14,340 |
| Balance, March 31, 2023 | \$ 1,972,692 | \$ 489,627 | \$ 66,859 | \$ 2,660,128 | \$ 649,972 | \$ 5,839,278 |

Yukon Property Acquisitions

The Company entered into binding letter agreements with European Ventures Inc. (European), a related company, in December of 2011 (amended in July 2014) for the acquisition of the Anderson, Davidson and Edmonton Creek claim groups and in February 2012 for the acquisition of the Roop and Trail-Minto claim groups and April 2012 for the Carlin claim group. The vendor retained a 2.75% net smelter return royalty (NSR) on the Anderson, Roop and Trail-Minto claim groups and a 2.5% NSR on the Davidson and Edmonton and Carlin claim groups. The NSRs are subject to a 1% buyback.

All of the NSR buybacks are applicable at any time up to commercial production. Any full 1% NSR can be bought back for \$1M if gold is at \$1,000 per ounce or less; \$2M if gold is at \$3,000 per ounce or more with a sliding scale between \$1,000 and \$3,000 per ounce. A buyback can be exercised in increments of 0.5%.

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31, 2023

5. Flow through share premium liability

| | |
|--|-------------------|
| Opening balance – December 31, 2021 | \$ 188,630 |
| Issuance of flow through shares | - |
| Closing balance – March 31, 2022 | \$ 188,630 |
| Issuance of flow through shares | 62,634 |
| Flow through premium recovery | (236,777) |
| Closing balance – December 31, 2022 | \$ 14,487 |
| Issuance of flow through shares | - |
| Flow through premium recovery | - |
| Closing balance – March 31, 2023 | \$ 14,487 |

6. Demand notes payable

The Company issued a promissory note in the amount of \$25,000 on September 2, 2021 bearing interest at the rate of 1.5% per month. Both the principal and interest are due and payable on March 30, 2024. The note may be prepaid at the option of the Company.

| | |
|--|------------------|
| Opening balance – January 1, 2022 | \$ 26,500 |
| Accrued Interest | 1,125 |
| Closing balance – March 31, 2022 | \$ 27,625 |
| Accrued interest | 3,375 |
| Closing balance – December 31, 2022 | \$ 31,000 |
| Accrued interest | 1,125 |
| Interest paid | (3,000) |
| Closing balance – March 31, 2023 | \$ 29,125 |

Interest of \$1,125 (2022 - \$1,125) on the promissory note was expensed during the three-month period ended March 31, 2023.

7. Government Assistance

On July 23, 2020, the Company received the Canadian Emergency Business Account (CEBA) in the amount of \$40,000. On December 22, 2020, the Company received the CEBA top-up in the amount of \$20,000. CEBA is a government program providing interest-free loans to small businesses, repaying the balance of the loan on or before December 31, 2023 will result in loan forgiveness of 33 percent (up to \$20,000).

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31 2023

8. Related party transactions and key management compensation

The Company has contracts for management and geological services provided by key management, namely officers, administrators and directors of the Company through companies controlled or influenced by them. In addition, key management or their related companies may hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Transactions are recorded at their fair value as agreed between all parties.

- Dr. Vern Rampton, President and CEO, provides Management Services to the Company through Rampton Resource Group Inc.('RRG') his personal services corporation. RRG also provides accessory office facilities plus an office manager/bookkeeper through contracts negotiated within consideration of competitive prices. All expenses are passed through the company at a minimal mark-up.
- Tyrell Sutherland, Vice-President Exploration, provides management & geological services to the Company through Sans Peur Exploration Services Inc. his solely owned personal services corporation. He is also President of Big River Minerals Exploration, a Yukon based indigenous corporation that provides technical and personnel services to the company.
- Darrell Munro, Corporate Administrator, provides investor relations and administrative services through his sole proprietorship.
- Andre Rancourt, CFO, provides accounting services through his sole proprietorship.
- Lee Bowles. Business Development, provides financial & advisory services through Ironstone Capital Corporation Inc. his personal services corporation.

Related party promissory notes.

| | |
|--|-------------------|
| Opening balance – January 1, 2022 | \$ 218,821 |
| Accrued interest | 4,969 |
| Fair value expense | 3,504 |
| Closing balance – March 31, 2022 | \$ 227,294 |
| Repayments of notes | (16,917) |
| Accrued interest | 14,347 |
| Fair value adjustment | 10,722 |
| Closing balance – December 31, 2022 | \$ 235,446 |
| Accrued interest | 4,729 |
| Fair value expense | 4,213 |
| Closing balance – March 31, 2023 | \$ 244,388 |

- In August of 2017, Ironstone Capital Corporation (ICC), a corporation providing financial consulting services to the Company, was prepaid through the award of 1,840,000 units (one share plus one-half warrant) for its services related to the expected completion of a corporate transaction leading to a public listing. The shares and warrants were issued directly to its principal who became a director of the Company on December 4, 2017. These units were valued at \$198,000 (December 31, 2020 - \$198,000). The transaction was terminated unexpectedly by a third party in late 2017 and consequently the units were held in escrow until the company became publicly listed. The warrants have since lapsed. In late 2021, it was determined that the Company would need to compensate ICC a further \$59,400 upon a listing taking place. The escrow was terminated once the Company becoming listed on the CSE on May 5, 2022.
- On June 18, 2021 the Company issued a series of promissory notes totalling \$101,000 bearing interest at 6% per annum to certain members of the management team in lieu of payment for services rendered. A total of \$16,000 of the principal was repaid in 2022. The remaining principal of \$85,000 plus interest originally due on June 30, 2023 has been extended to June 30, 2024.

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31 2023

8. Related party transactions and key management compensation (continued)

- European Ventures Inc. ('European') was formerly designated as an insider, having previously held more than 10% of the outstanding shares of the Company. It has periodically provided credit to the Company. On October 31, 2022 European Ventures Inc. relinquished its status as an insider when its shareholdings fell slightly below 10% of the Company's outstanding shares.
- The President and CEO through his wholly owned corporation Rampton Resource Group Inc. and the Company's Corporate Administrator provide services to European Ventures Inc. ('European')
- The President & CEO and two directors of the Company are also the sole directors of European.
- On November 12, 2021, the directors passed a resolution approving the borrowing of up to \$150,000 from European at a rate of 10% per annum.
- On July 21, 2022 the Company awarded 3,990,000 incentive options to management, directors, consultants and contractors. Each option is exercisable into one common share at \$0.15 for a period of 5 years from the date of issuance. The options vest in three equal segments of 1,330,000 (August 1, 2022, August 1, 2023 and August 1, 2024).
- On September 30, 2022 the Company awarded 930,158 options exercisable at \$0.15 for a period of 3 years from the date of issuance and 628,699 Restricted Share Units (RSUs) to management, directors, consultants and contractors for their dedication to the company and more specifically to supplement their compensation for fiscal 2021 as well as the period up to the Company's public listing in May of 2022. Both the options and RSUs vest in three separate equal segments, namely January 30 of 2023, 2024 and 2025.
- Interest expense on the amounts due to related parties during the three months ending March 31, 2023 totalled \$4,729 (March 31, 2022 - \$4,969).

| | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|--|--|--|
| Compensation and contract fee expense of key management | \$107,588 | \$96,112 |
| Value of RSUs with officers expensed (note 9) | 25,466 | - |
| Value of stock options with officers and directors expensed (note 9) | 55,842 | - |

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31 2023

9. Capital stock

Authorized

Unlimited number of common shares

Share capital

| | Number of Shares | Amount |
|--|-------------------|---------------------|
| Balance, December 31, 2021 | 88,161,227 | \$ 6,991,925 |
| Initial public offering (final tranche) – common (i) | 2,637,034 | 268,385 |
| Issuance costs | | (86,525) |
| Balance, March 31, 2022 | 90,798,261 | \$ 7,173,785 |
| Private placement – common (ii) | 1,572,637 | 160,044 |
| Private placement – flow-through (iii) | 167,000 | 20,505 |
| Private placement – flow-through (iv) | 1,433,340 | 125,168 |
| Issuance costs | - | (34,229) |
| Balance, December 31, 2022 | 93,971,237 | \$ 7,445,273 |
| Issuance of restricted share units (v) | 243,352 | 17,034 |
| Expiry of warrants (vi) | - | 18,282 |
| Private placement (vii) | 1,716,700 | 54,381 |
| Issuance costs | - | (1,050) |
| Balance, March 31, 2023 | 95,931,289 | \$ 7,533,920 |

- i) On March 15, 2022, the Company closed the final tranche of its Initial Public Offering for 2,637,034 Common Share Units at \$0.12, totalling \$316,444. Each Unit consists of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at \$0.18 per share for expiring on December 30, 2024. The 1,318,517 warrants were valued at \$64,344 using the Black Scholes valuation model, the inputs of which are disclosed below.
- ii) On May 4, 2022, the Company closed a Common Share Private Placement for 1,572,637 Units at \$0.12 per Unit for total proceeds of \$188,716. Each Unit consists of one common share and one-half warrant exercisable at \$0.18 into one common share expiring May 4, 2025. The warrants were valued at \$26,054 using the Black-Scholes valuation model, the inputs of which are disclosed below. In conjunction with the offering, the Company paid finder's fees of \$15,000.
- iii) On May 4, 2022, the Company closed a Flow Through Private Placement for 167,000 Flow Through Units at \$0.18, totalling \$30,060. Each Unit consists of one flow through share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at \$0.24 per share expiring May 4, 2025. The warrants were valued at \$2,619 using the Black Scholes valuation model, the inputs of which are disclosed below. The Company recognized a flow through liability of \$9,555.
- iv) On August 30, 2022, the Company closed a Flow Through Private Placement for 1,433,340 Flow Through Units at \$0.15, totalling \$215,001. Each Unit consists of one flow through share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share at \$0.20 per share expiring August 30, 2025. The warrants were valued at \$32,211 using the Black Scholes valuation model, the inputs of which are disclosed below. The Company recognized a flow through liability of \$53,079.

In conjunction with the offering, the Company paid finder's fees of \$14,000 and granted 93,334 Broker Unit Warrants in relation to the flow through share offering. Each Broker Unit Warrant is exercisable at a price of \$0.12 expiring August 30, 2025. The Broker Unit Warrants were valued at \$4,543 using the Black-Scholes valuation model, the inputs of which are disclosed below.

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31 2023

9. Capital stock (continued)

v) On January 30, 2023, the Company issued 243,352 common shares upon the vesting of 253,733 RSUs, with the balance of 10,381 shares to be issued prior to June 30, 2023.

(vi) On March 30, 2023, 533,193 warrants expired with a previously recorded value of \$18,282.

(vii) On March 31, 2023, the Company closed a Common Share Private Placement for 1,716,700 Common Share Units at \$0.06 per Unit totalling \$103,002. Each Unit consists of one common share and one whole common share purchase warrant. Each whole warrant is exercisable into one common share at \$0.10 expiring on March 31, 2026. The 1,716,700 warrants were valued at \$48,015 using the Black Scholes valuation model, the inputs of which are disclosed below.

In conjunction with the offering, the Company paid finder's fees of \$1,050 and granted 17,500 Broker Unit Warrants in relation to the common share offering. Each Broker Unit Warrant is exercisable into one common share at \$0.06 expiring March 31, 2023. The Broker Unit Warrants were valued at \$606 using the Black-Scholes valuation model, the inputs of which are disclosed below.

Warrants and Broker Warrants

| | Number of Warrants | Amount |
|--|--------------------|-------------------|
| Balance, December 31, 2021 | 18,246,126 | \$ 651,566 |
| Granted – Initial public offering – Common (i) | 1,318,517 | 48,059 |
| Balance, March 31, 2022 | 19,564,643 | \$ 699,625 |
| Granted – private placement common (ii) | 786,319 | 26,054 |
| Granted – private placement flow-through (iii) | 83,500 | 2,619 |
| Granted – private placement flow-through (iv) | 716,670 | 32,211 |
| Granted – Broker Unit Warrants (iv) | 93,334 | 4,543 |
| Balance, December 31, 2022 | 21,244,466 | \$ 765,052 |
| Expired – warrants (vi) | (533,193) | (18,282) |
| Granted – private placement common (vii) | 1,716,700 | 48,015 |
| Granted – Broker Unit Warrants (vii) | 17,500 | 606 |
| Balance, March 31, 2023 | 22,445,473 | \$ 795,391 |

Warrants

Exercisable and Outstanding at March 31, 2023

| | Exercise Price | Expiry date |
|--------------|-------------------|-------------------|
| 410,800 | \$0.15 | July 30, 2023 |
| 40,625 | \$0.15 | December 30, 2023 |
| 12,529,725 | \$0.15 | November 5, 2024 |
| 1,001,670 | \$0.18 | December 30, 2024 |
| 3,143,853 | \$0.20 | December 30, 2024 |
| 1,318,517 | \$0.18 | March 15, 2025 |
| 786,319 | \$0.18 | May 4, 2025 |
| 83,500 | \$0.24 | May 4, 2025 |
| 716,670 | \$0.20 | August 30, 2025 |
| 1,716,700 | \$0.10 | March 31, 2026 |
| Total | 21,748,379 | |

Broker Unit Warrants

Exercisable and Outstanding at March 31, 2023

| | Exercise Price | Expiry date |
|--------------|----------------|-------------------|
| 218,757 | \$0.12 | November 5, 2024 |
| 14,584 | \$0.12 | December 30, 2024 |
| 352,919 | \$0.15 | December 30, 2024 |
| 93,334 | \$0.12 | August 30, 2025 |
| 17,500 | \$0.06 | March 31, 2026 |
| Total | 697,094 | |

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31 2023

9. Capital stock (continued)

The following summarizes the assumptions used in the valuation of the warrants for March 31, 2023 and December 31, 2022.

| | |
|--|---------------|
| Risk-free interest rate | 1.88% - 3.45% |
| Volatility based on comparable companies | 92.60%-94.64% |
| Expected dividend | 0% |
| Forfeiture | 0% |
| Expected option life | 3 years |

Stock options

The Company's Stock Option Plan is available to its directors, officers, employees and service providers. The number of options available is a maximum of 10% of the total number of issued and outstanding common shares. All issuances, including the vesting and exercise periods are approved by the Board.

| | Number of Options | Exercise price | Value |
|-------------------------------|----------------------|-------------------|-----------|
| Balance, December 31, 2021 | - | - | - |
| Granted | 3,990,000 | \$0.15 | \$173,784 |
| Granted | 930,158 | \$0.15 | \$ nil |
| Balance December 31, 2022 | 4,920,158 | \$0.15 | \$173,784 |
| Expensed at March 31, 2023 | | | \$ 55,842 |
| Exercisable at March 31, 2023 | 1,640,053 | \$0.15 | \$229,626 |

On July 21, 2022 the Company awarded 3,990,000 incentive options to management, directors, consultants and contractors. Each option is exercisable into one common share at \$0.15; valid for a period of 5 years from the date of issuance. They vest in three separate equal segments of 1,330,000 (August 1, 2022, 2023 and 2024). Each tranche is expensed over its complete vesting period.

The fair value of all options was estimated of the date of grant using the Black-Scholes option pricing model with the following assumption: Risk free interest rate 2.96%, a volatility based on comparable companies of 93.68% with an expected option life 5 years.

On September 30, 2022 the Company awarded 930,158 incentive options to management, directors, consultants and contractors. Each option is exercisable into one common share at \$0.15; valid for a period of 3 years from the date of issuance. They vest in three separate equal segments of 1,330,000 (January 30, 2023, 2024 and 2025). Each tranche is expensed over its complete vesting period.

The fair value of the options was estimated as of the date of grant using the Black-Scholes option pricing model with the following assumption: Risk free interest rate 3.55%, a volatility based on comparable companies of 106.5% with an expected option life 3 years.

Restricted Share Units

RSUs are used to compensate participants for their individual performance-based services achievements and corporate performance, and they are intended to supplement stock option awards. The Company determines the fair market value and the vesting schedule of RSUs at the time of grant. Under The Company's RSU/DSU Plan, the vesting date for RSUs shall be no later than the third anniversary of the date of grant and all share issuances in respect of the vested units shall be processed in full before the end of the particular calendar year. Non-vested RSUs are automatically forfeited if the grantee voluntarily leaves employment with the Company. Upon vesting of the RSUs, common shares are issued from treasury.

On September 30, 2022 the Company awarded 628,699 Restricted Share Units (RSUs) to management, consultants and contractors. The RSUs vest in three separate equal segments, namely January 30 of 2023, 2024 and 2025. Each tranche is expensed over the full vesting period.

Mayo Lake Minerals Inc.

Notes to Condensed Interim Financial Statements

Three months ended March 31 2023

10. Capital management

The Company manages its capital structure and makes adjustments based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, reserves and a deficit in the amount of \$5,298,061 (December 31, 2022 - \$5,324,982).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to maintain the corporate and administrative functions necessary to support organizational functions and to obtain sufficient funding to further the identification and development of precious metals deposits. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements and supplemented with debt as necessary. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

The Company reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management in the year.

11. Financial instruments and risk management

Fair value

The carrying values of the Company's financial instruments approximate their fair values due to the short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and other receivables.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due.

The Company's liquidity and operating results may be adversely affected if its access to capital markets is hindered, whether as a result of a downturn in stock market conditions generally or matters specific

to the Company. The Company has historically generated cash flow from its financing activities. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 9. As at March 31, 2023, the Company's current liabilities which comprise accounts payable and accrued liabilities, demand notes payable and obligation due to related parties total \$291,219. The Company will require additional funding to maintain corporate and administrative functions and to fund its continuing exploration activities and commitments.

11. Financial instruments and risk management (continued)**Covid-19**

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

It is not possible to reliably estimate the duration and severity of the consequences of COVID-19, as well as the impact on the financial position and results of the Company for future periods. Other than delays to drilling programs, COVID-19 has not had a significant impact on the Company.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices. The Company is not exposed to any significant interest rate risk volatility or exchange rate volatility.

12. Subsequent events

On April 5, 2023 the Company announced a Private Placement on a 'best efforts' basis consisting of any combination of common share units ('CS Units') and flow-through units ('FT Units') totaling \$1,400,000 with a proposed closing date of on or about May 15 ('Closing Date') subject to the discretion of the directors. Each CS Unit is comprised of one common share ('Common Share') and one-half Common Share purchase warrant ('CS Warrant'). Each whole CS Warrant is exercisable into one Common Share at \$0.10. Each FT Unit consists of one flow-through share ('FT Share') as defined in subsection 66(15) of the Income Tax Act (Canada), and one-half of a Common Share purchase warrant ('FT Warrant'). Each whole FT Warrant entitles the holder to purchase one Common Share at a price of \$0.12. Both the CS Warrants and the FT Warrants are valid for a period of 36 months from the closing date. In the event of multiple closings, the day of the final closing will be the Closing Date of record. The placement had not closed as of the filing date of these Condensed Financial Statements.

On April 17, 2023 the Company announced its exploration plans for the 2023 campaign.