

**Sitka Gold Corp.**  
**Consolidated Interim Financial Statements**  
For the Three Months Ended March 31, 2021  
(Expressed in Canadian dollars)  
(Unaudited - Prepared by Management)

**SITKA GOLD CORP.**  
**UNAUDITED FINANCIAL STATEMENTS**

**NOTICE TO READER**  
**OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

The interim financial statements of Sitka Gold Corp as of March 31, 2021 are the responsibilities of the Company's management.

These financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors.

The financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with International Financial Reporting Standards.

"Corwin Coe"

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Corwin Coe  
CEO, Director

" Donald Penner"

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Donald Penner  
Director

**Sitka Gold Corp.**  
**Consolidated Statements of Financial Positions**  
**(Unaudited, Expressed in Canadian dollars)**

| As at   | March 31, 2021    | December 31, 2020<br>(Audited) |
|---|-------------------|--------------------------------|
|   | \$                | \$                             |
| <b>ASSETS</b>                                     |                   |                                |
| <b>Current assets</b>                             |                   |                                |
| Cash and cash equivalents (Note 4)                | 5,695,072         | 725,798                        |
| Prepays (Note 5)                                  | 760,935           | 49,343                         |
| GST receivable                                    | 47,398            | 38,284                         |
|   | <u>6,503,405</u>  | <u>813,425</u>                 |
| <b>Non- Current Assets</b>                        |                   |                                |
| Exploration and evaluation assets (Note 6)        | 4,079,115         | 4,043,239                      |
| Reclamation bond (Note 6)                         | 47,374            | 33,784                         |
|   | <u>10,629,894</u> | <u>4,890,448</u>               |
| <b>LIABILITIES</b>                                |                   |                                |
| <b>Current liabilities</b>                        |                   |                                |
| Accounts payable and accrued liabilities (Note 7) | 56,912            | 12,561                         |
| Due to related parties (Note 10)                  | 71,514            | 453,518                        |
|   | <u>128,426</u>    | <u>466,079</u>                 |
| <b>Non-current liabilities</b>                    |                   |                                |
| Loan (note 8)                                     | 60,000            | -                              |
|   | <u>188,426</u>    | <u>466,079</u>                 |
| <b>SHAREHOLDERS' EQUITY</b>                       |                   |                                |
| Share Capital (Note 9)                            | 13,117,633        | 6,973,803                      |
| Reserve (Note 9)                                  | 722,088           | 722,088                        |
| Deficit   | (3,398,253)       | (3,271,522)                    |
|   | <u>10,441,468</u> | <u>4,424,369</u>               |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> | <u>10,629,894</u> | <u>4,890,448</u>               |

Nature and continuance of operations (Note 1)

Commitments and contingencies (Note 6)

Subsequent Events (Note 13)

**APPROVED ON BEHALF OF THE BOARD**

"Corwin Coe"  
 \_\_\_\_\_  
 Corwin Coe, Director

"Donald Penner"  
 \_\_\_\_\_  
 Donald Penner, Director

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

**Sitka Gold Corp****Consolidated Statements of Comprehensive Loss****(Unaudited, Expressed in Canadian dollars)**

|  | <b>Quarter ended<br/>March 31, 2021</b> | <b>Quarter ended<br/>March 31, 2020</b> |
|--|---|---|
|  | \$                                      | \$                                      |
| <b>EXPENSES</b>  |   |   |
| Administration expenses  | 32,814                                  | 25,614                                  |
| Listing and filing fees  | 22,219                                  | 4,862                                   |
| Investor relations   | 76,561                                  | 110,843                                 |
| Professional fees  | -                                       | 7,683                                   |
| Payroll  | 5,605                                   | -                                       |
| Travel and accomodation  | 2,276                                   | 27,158                                  |
| <b>LOSS BEFORE OTHER ITEMS</b>                                   | <b>(139,475)</b>                        | <b>(176,160)</b>                        |
| <b>OTHER ITEMS</b>   |   |   |
| Foreign exchange gain (loss)                                     | 11,778                                  | 2,173                                   |
| Interest and other income  | 966                                     | -                                       |
|  | <b>12,744</b>                           | <b>2,173</b>                            |
| <b>NET AND COMPREHENSIVE LOSS</b>                                | <b>(126,731)</b>                        | <b>(173,987)</b>                        |
| <b>Basic and diluted loss per share</b>                          | <b>\$ (0.00)</b>                        | <b>(0.02)</b>                           |
| <b>Weighted average number of shares<br/>(basic and diluted)</b> | <b>74,304,534</b>                       | <b>32,872,295</b>                       |

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

**Sitka Gold Corp.****Consolidated Statements of Changes in Shareholders' Equity****(Expressed in Canadian Dollars)**

|  | <b>Common<br/>Shares<br/>Outstanding</b> | <b>Share<br/>Capital</b> | <b>Reserve</b> | <b>Deficit</b> | <b>Total<br/>Shareholders'<br/>Equity</b> |
|--|--|--------------------------|----------------|----------------|---|
|  |  | \$                       | \$             | \$             | \$  |
| <b>Balance, December 31, 2019</b>                  | 30,697,654                               | 3,164,690                | 313,132        | (2,147,974)    | 1,329,848                                 |
| Shares issuance for cash, net of fees              | 1,084,665                                | 130,160                  | -              | -              | 130,160                                   |
| Flow-through shares issuance for cash, net of fees | 6,000,000                                | 1,200,000                | -              | -              | 1,200,000                                 |
| Shares issuance on warrants exercised              | 4,278,745                                | 744,069                  | -              | -              | 744,069                                   |
| Shares issuance on stock options exercised         | 125,000                                  | 15,000                   | -              | -              | 15,000                                    |
| Shares issuance for option agreements (Note 6)     | 3,000,000                                | 598,500                  | -              | -              | 598,500                                   |
| Shares issuance for cash, net of fees              | 13,204,332                               | 1,121,384                | 27,831         | -              | 1,149,215                                 |
| Share-based payments (Note 9)                      |  |                          | 381,125        | -              | 381,125                                   |
| Loss for the year                                  | -  | -                        | -              | (1,123,548)    | (1,123,548)                               |
| <b>Balance, December 31, 2020</b>                  | 58,390,396                               | 6,973,803                | 722,088        | (3,271,522)    | 4,424,369                                 |
| Shares issuance for cash, net of fees              | 50,945,086                               | 6,114,630                | -              | -              | 6,114,630                                 |
| Shares issuance on warrants exercised              | 207,500                                  | 29,200                   | -              | -              | 29,200                                    |
| Loss for the year                                  | -  | -                        | -              | (126,731)      | (126,731)                                 |
| <b>Balance, March 31, 2021</b>                     | 109,542,982                              | 13,117,633               | 722,088        | (3,398,253)    | 10,441,468                                |

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

**Sitka Gold Corp.**  
**Consolidated Statement of Cash Flows**  
(Unaudited, Expressed in Canadian dollars)

|  | Quarter ended<br>March 31, 2021 | Quarter ended<br>March 31, 2020 |
|--|---------------------------------|---------------------------------|
|  | \$                              | \$                              |
| <b>Cash flows from operating activities</b>                    |                                 |                                 |
| Loss for the period  | (126,731)                       | (173,987)                       |
| Change in non-cash working capital                             |                                 |                                 |
| Prepaid  | (711,592)                       | 77,408.00                       |
| GST receivable   | (9,114)                         | (2,904)                         |
| Loan   | 60,000                          | -                               |
| Accounts payable and accrued liabilities                       | 44,351                          | (127,532)                       |
| Due to related parties   | (382,004)                       | (2,750)                         |
|  | <u>(1,125,090)</u>              | <u>(229,765)</u>                |
| <b>Cash flows from investing activities</b>                    |                                 |                                 |
| Exploration and evaluation assets                              | (35,876)                        | (187,309)                       |
| Reclamation bond   | (13,590)                        | 37,531                          |
|  | <u>(49,466)</u>                 | <u>(149,778)</u>                |
| <b>Cash flows from financing activities</b>                    |                                 |                                 |
| Cash payments received from issuance of shares                 | 6,143,830                       | 345,160                         |
|  | <u>6,143,830</u>                | <u>345,160</u>                  |
| <b>Increase (decrease) in cash and cash equivalents</b>        | 4,969,274                       | (34,383)                        |
| Cash and cash equivalents , beginning of period                | 725,798                         | 307,635                         |
| <b>Cash and cash equivalents , end of period</b>               | <u>5,695,072</u>                | <u>273,252</u>                  |
| <b>Components of cash and cash equivalents:</b>                |                                 |                                 |
| Cash   | 543,622                         | 273,252                         |
| Short-term investments   | 5,151,450                       | -                               |
|  | <u>5,695,072</u>                | <u>273,252</u>                  |
| <b>Non-cash investing activities</b>                           | \$                              | \$                              |
| Shares issued for exploration and evaluation assets            | -                               | 400,000                         |
| Exploration and evaluation expenditures<br>In accounts payable | -                               | 53,412                          |

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

## **Sitka Gold Corp.**

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### **1. Nature and continuance of operations**

Sitka Gold Corp. (the "Company"), was incorporated on January 13, 2015 under the laws of the province of British Columbia. The Company's principal business activity is the exploration for mineral resources in Nunavut Canada, Nevada USA and Arizona USA and Yukon Canada.

The Company's shares trade on the Canadian Securities Exchange (the "CSE") under the symbol "SIG".

The Company's registered office and principal place of business is Suite 1500, 409 Granville Street, Vancouver, British Columbia, Canada.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there always exists material uncertainty that casts significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

In March 2020, the World Health Organization declared the outbreak of the Coronavirus, also known as "COVID-19", has spread across the globe and is impacting worldwide economic activity. Conditions surrounding the Coronavirus continue to rapidly evolve and government authorities have implemented emergency measures to mitigate the spread of the virus. The outbreak and the related mitigation measures may have an adverse impact on global economic conditions as well as on the Company's business activities. The extent to which the Coronavirus may impact the Company's business activities will depend on future developments, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions, business disruptions, and the effectiveness of actions taken in Canada and other countries to contain and treat the disease. These events are highly uncertain and as such, the Company cannot determine their financial impact at this time.

### **2. Basis of preparation**

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

The consolidated interim financial statements for the quarter ended March 31, 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Therefore, these financial statements comply with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The consolidated financial statements were authorized for issuance on May 27, 2021 by the directors of the Company.

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

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. These consolidated financial statements are presented in Canadian dollars, unless otherwise noted, which is also the Company's functional currency.

## Sitka Gold Corp.

### Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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#### 3. Significant accounting policies

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Arctic Copper Corp. and Sitka Gold (US) Corp. The controlled entity is fully consolidated from the date of acquisition, being the date on which the Company obtains control and continues to be consolidated until the date such control ceases. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Significant estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the consolidated financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumption where there is significant risk of material adjustments to assets and liabilities in future accounting period include the recoverability of the carry value of the exploration and evaluation assets, the measurements for financial instrument, the recoverability of deferred tax assets and the measurement of Flow-through share premium liabilities.

The preparation of financial statements in accordance with IFRS required the Company to make judgements, apart from those involving estimates, in applying accounting policies. The following are the most significant judgements that management has made in applying the Company's financial statements: the assessment of the Company's ability to continue as a going concern and the classification of exploration and evaluation assets.

(c) Exploration and evaluation assets

Exploration costs incurred prior to the Company obtaining the legal right to explore an area are expensed in the period in which they are incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Exploration and evaluation costs are capitalized. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.



**Sitka Gold Corp.**

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

**3. Significant accounting policies (continued)**

## (d) Impairment of non-financial assets

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

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

## (e) Income taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

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

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## (f) Foreign currency translation

The functional currency of each entity is determined using the currency of the primary economic environment in which that entity operates.

The functional and presentation currency, as determined by management, of the Company and its subsidiary is the Canadian dollar.

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

#### (g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

#### (h) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

#### (i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

#### Financial assets

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and cash equivalent is measured at FVTPL. Receivables are measured at amortized cost.

#### Impairment of financial assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

#### Impairment

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

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

#### Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade payables are classified under other financial liabilities and carried on the statement of financial position fair value through profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability and modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 3. Significant accounting policies (continued)

(j) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black-Scholes Option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(k) Asset retirement obligation

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying value of the asset, as soon as the obligation to incur such costs arises. Risk-free discount rates using pre-tax rates that reflect the time value of money are used to calculate the net present value. The Company records a provision for environmental rehabilitation in the financial statements when it is incurred and capitalizes this amount as an increase in the carrying amount of the related asset. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

(l) Accounting Standards and Interpretations Issued but Not Yet Adopted

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

### 4. Cash and cash equivalents

|                  | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|------------------|-----------------------|--------------------------|
| Cash             | \$543,622             | \$223,693                |
| Cash equivalents | <u>5,151,450</u>      | <u>502,105</u>           |
| Total            | \$5,695,072           | \$725,798                |

The Company's cash equivalents consist of two Guaranteed Investment Certificates (GIC) which can be redeemed at any time. As at March 31, 2021, one GIC bears variable interest at 0.75% per annum maturing on June 17, 2021 and the other GIC bears variable interest at 0.25% per annum maturing on March 11, 2022.

### 5. Prepaids

During the quarter ended March 31, 2021, the Company made prepayments for exploration costs, administration fees and market consultation services. As of March 31, 2021, the balance of prepaids is \$760,935 (2020 - \$166,348).

**Sitka Gold Corp.**

## Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

**6. Exploration and evaluation assets**

The Company has classified its exploration properties into four separate geographical locations, namely Nunavut Canada, Nevada USA and Arizona USA and Yukon Canada.

A continuity of the Company's exploration and evaluation assets is as follows:

|                                 | Nunavut<br>Canada | Nevada<br>US | Arizona<br>US | Yukon<br>Canada | Total       |
|---------------------------------|-------------------|--------------|---------------|-----------------|-------------|
| Balance, December 31, 2019      | 215,595           | 8,555        | 415,736       | 329,294         | 969,180     |
| Claim fees and Staking costs    |                   | 18,223       | 7,858         | 30,470          | 56,551      |
| Geological and analytical costs | 1,500             | 61,180       | 161,182       | 266,838         | 490,700     |
| Drilling costs                  |                   | 281,474      | 501,066       | 417,831         | 1,200,371   |
| Camp costs                      |                   |              |               | 244,370         | 244,370     |
| Helicopter costs                |                   |              |               | 125,488         | 125,488     |
| Travel and accommodation        |                   | 1,612        | 28,158        | -               | 29,770      |
| Equipment and supplies          |                   | 1,140        | 37,417        | 95,752          | 134,309     |
| Total exploration costs         | 1,500             | 363,629      | 735,681       | 1,180,749       | 2,281,559   |
| Acquisition costs               |                   | 14,000       | 247,500       | 571,000         | 832,500     |
| Yukon Government Incentive      |                   |              |               | (40,000)        | (40,000)    |
| Total 2020 additions            | 1,500             | 377,629      | 983,181       | 1,711,749       | 3,074,059   |
| Balance, December 31, 2020      | \$217,095         | \$386,184    | \$1,398,917   | \$2,041,043     | \$4,043,239 |
| Geological and analytical costs | 2,000             | 2,000        |               | 6,990           | 10,990      |
| Drilling costs                  |                   |              | 138,659       |                 | 138,659     |
| Equipment and supplies          |                   |              |               | 330             | 330         |
| Total exploration costs         | 2,000             | 2,000        | 138,659       | 7,320           | 149,979     |
| Yukon Government Incentive      |                   |              |               | (114,103)       | (114,103)   |
| Total 2021 additions            | 2,000             | 2,000        | 138,659       | (106,783)       | 35,876      |
| Balance, March 31, 2021         | 219,095           | 388,184      | 1,537,576     | 1,934,260       | 4,079,115   |

**(a) Coppermine River Property, Nunavut**

The Company has staked 45 mineral claims which form the Coppermine River Project in the northwest region of Nunavut.

As of March 31, 2021, the Company incurred total acquisition and exploration expenditures of \$219,095 relating to the Coppermine River Property.

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 6. Exploration and evaluation assets (continued)

(b) *Adobe Gold Property, Nevada, USA*

On December 8, 2015, the Company entered into an option agreement with Intercept Minerals Corporation ("Intercept"), whereby the Company has the option to acquire 60% of Intercept's interest in the Adobe Gold Property.

During the year ended December 31, 2019, the Company relinquished its option on the Adobe Gold Property, and wrote off all acquisition costs and exploration expenditures incurred by the Company of \$834,556.

In February 2018, the Company paid \$24,564 for a reclamation bond with the Bureau of Land Management in the State of Nevada ("BLM") to insure the completion of future asset retirement obligations as estimated utilizing a standardized reclamation cost estimating system for the State of Nevada. In November 2020, BLM partially refunded the reclamation bond in the amount of \$14,876.

(c) *Alpha Gold Property, Nevada, USA*

In January 2018, the Company entered into an agreement with Objective Exploration LLC ("Objective") to acquire 100% of Objective's interest in the Alpha Gold Property located in Eureka County, Nevada, subject to the following terms:

- (i) grant a 1.5% NSR with the right to purchase all of the NSR for US\$3,000,000;
- (ii) starting May 7, 2019, pay US\$10,000 annually, as an advance royalty until 2039 or until purchase of NSR (paid);
- (iii) pay US\$10,000 annually in cash or shares after 10,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR;
- (iv) pay an additional US\$20,000 annually in cash or shares after 50,000 feet of drilling has been conducted on the property until 2039 or until purchase of the NSR; and
- (v) pay all fees to file and maintain the property

In June 2020, the Company paid \$24,095 for a reclamation bond with the Bureau of Land Management in the State of Nevada to insure the completion of future asset retirement obligations as estimated utilizing a standardized reclamation cost estimating system for the State of Nevada.

As of March 31, 2021, the Company incurred total exploration expenditures of \$374,184 relating to the Alpha Gold Property.

(d) *Burro Creek Property, Arizona, USA*

On September 17, 2018, the Company entered into an option agreement ("Option Agreement") with Coelton Ventures Ltd. ("Coelton") to acquire a 100% interest in the Burro Creek Property located in Mohave County, Arizona, USA, by completing the following:

- (i) Within 30 days of the Company receiving conditional acceptance of this Option Agreement from the CSE making a payment of \$50,000 and issuing 500,000 common shares of the Company to Coelton (paid and issued);
- (ii) Making a further cash payment of \$50,000 and a further share issuance of 500,000 common shares to Coelton (paid and issued) and completing a cumulative total of \$100,000 in expenditures on the Property by September 17, 2019 (Coelton agreed to extend the due date of expenditures to September 17, 2020 and the \$100,000 expenditure commitment was fulfilled in 2020);

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 6. Exploration and evaluation assets (continued)

- (iii) Making a further cash payment of \$150,000, a further share issuance of 500,000 common shares to Coelton (paid and issued) and completing a cumulative total of \$250,000 in expenditures (incurred) on the Property by September 17, 2020;
- (iv) Making a further cash payment of \$200,000, a further share issuance of 500,000 common shares to Coelton and completing a cumulative total of \$1,000,000 in expenditures on the Property by September 17, 2021 (incurred);
- (vi) Making a further cash payment of \$250,000, a further share issuance of 500,000 common shares to Coelton and completing a cumulative total of \$2,000,000 in expenditures on the Property by September 17, 2022;
- (vii) Making a further cash payment of \$300,000, a further share issuance of 500,000 common shares to Coelton and completing a cumulative total of \$3,000,000 in expenditures on the Property by September 17, 2023;
- (vii) Making a further share disbursement of 1,000,000 Common Shares to Coelton and completing a cumulative total of \$4,000,000 in expenditures on the Property by September 17, 2024;
- (viii) Making a further share disbursement of 1,000,000 common shares to Coelton by September 17, 2025.

As of March 31, 2021, the Company incurred total exploration expenditures of \$1,055,077 relating to the Burro Creek Property.

#### (e) *RC Gold Property, Yukon*

In July 2019, the Company entered into two separate option agreements to acquire two Properties located in the Clear Creek district within the heart of the Yukon's Tintina Gold Belt and within the Tombstone Gold Belt as follows:

The Company entered the first option agreement with William Mann to acquire a 100% interest in the BEE and BOP Property subject to the following terms:

- (1) Pay William Mann \$100,000 in aggregate:
  - (i) \$2,500 within five business days of the Approval Date (paid);
  - (ii) \$2,500 on or before December 31, 2019 (paid);
  - (iii) \$5,000 on or before December 31, 2020 (paid);
  - (iv) \$10,000 on or before December 31, 2021;
  - (v) \$15,000 on or before December 31, 2022;
  - (vi) \$25,000, on or before December 31, 2023; and
  - (vii) \$40,000 on or before December 31, 2024.
- (2) incur expenditures in the aggregate amount of not less than \$630,000:
  - (i) in the amount of \$10,000 on or before December 31, 2019 (incurred);
  - (ii) in the aggregate amount of \$40,000 on or before December 31, 2020 (incurred);
  - (iii) in the aggregate amount of \$115,000 on or before December 31, 2021 (incurred);
  - (iv) in the aggregate amount of \$240,000 on or before December 31, 2022;
  - (v) in the aggregate amount of \$430,000 on or before December 31, 2023; and
  - (vi) in the aggregate amount of \$630,000 on or before December 31, 2024.

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 6. Exploration and evaluation assets (continued)

- (3) issue 500,000 Common Shares in aggregate to William Mann:
- (i) 50,000 Common Shares within five business days of the Approval Date (issued)
  - (ii) an additional 50,000 Common Shares on or before December 31, 2019 (issued);
  - (iii) an additional 50,000 Common Shares on or before December 31, 2020 (issued);
  - (iv) an additional 50,000 Common Shares on or before December 31, 2021;
  - (v) an additional 125,000 Common Shares on or before December 31, 2022; and
  - (vi) an additional 175,000 Common Shares on or before December 31, 2023.

The Company will pay William Mann an additional bonus of \$250,000 in cash, shares or any combination thereof, at the Company's option, upon receiving a resource calculation of at least 1 million ounces of gold in any category within the RC Gold Property. The BEE and BOP Property claims are subject to a 2% NSR, half of which can be purchased for \$2,000,000.

The Company entered the second option agreement with Fox Exploration Ltd. to acquire a 100% interest in the RC Gold Property subject to the following terms:

- (1) pay Fox Exploration Ltd. \$300,000 in aggregate:
- (i) \$7,500 within five business days of the Approval Date (paid);
  - (ii) \$7,500 on or before December 31, 2019 (paid);
  - (iii) \$15,000 on or before December 31, 2020 (paid);
  - (iv) \$30,000 on or before December 31, 2021;
  - (v) \$45,000 on or before December 31, 2022;
  - (vi) \$75,000, on or before December 31, 2023; and
  - (vii) \$120,000 on or before December 31, 2024.
- (2) incur Expenditures in the aggregate amount of not less than \$1,870,000 as follows:
- (i) in the amount of \$80,000 on or before December 31, 2019 (incurred);
  - (ii) in the aggregate amount of \$170,000 on or before December 31, 2020 (incurred);
  - (iii) in the aggregate amount of \$395,000 on or before December 31, 2021 (incurred);
  - (iv) in the aggregate amount of \$770,000 on or before December 31, 2022;
  - (v) in the aggregate amount of \$1,320,000 on or before December 31, 2023; and
  - (vi) in the aggregate amount of \$1,870,000 on or before December 31, 2024.
- (3) issue 1,500,000 Common Shares in aggregate to Fox Exploration Ltd. as follows:
- (i) 150,000 Common Shares within five business days of the Approval Date (issued);
  - (ii) an additional 150,000 Common Shares on or before December 31, 2019 (issued);
  - (iii) an additional 150,000 Common Shares on or before December 31, 2020 (issued);
  - (iv) an additional 150,000 Common Shares on or before December 31, 2021;
  - (v) an additional 375,000 Common Shares on or before December 31, 2022; and
  - (vi) an additional 525,000 Common Shares on or before December 31, 2023.

The Company will pay Fox Exploration Ltd. an additional bonus of \$250,000 in cash, shares, or any combination thereof, at the Company's option, upon receiving a resource calculation of at least 1 million ounces of gold in any category within the RC Gold Property. The RC Property Claims are subject to a 2% NSR, half of which can be purchased for \$2,000,000.



## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 6. Exploration and evaluation assets (continued)

(f) *Mahtin Gold Property, Yukon*

In January 2020, the Company entered into an agreement with StrikePoint Gold Inc. to acquire a 100% interest in the Mahtin Gold Property located in Yukon territory subject to certain underlying agreements.

The purchase price for the Property is 2,000,000 common shares of Sitka Gold Corp. at a deemed price of \$0.20 per share (issued). Underlying royalties tallying 3% NSR exist on the property and can be reduced to 2% by the purchase of 1% for \$1,000,000.

Bonus payments are payable to an underlying royalty holder if exploration expenditures for the Property Area reach \$7,500,000, \$15,000,000 or \$25,000,000, for an aggregate bonus payment of \$2,250,000 in respect of any Property area, with \$750,000 payable on any one of these expenditure targets being met. Exploration expenditures on the Property at the time of execution of this Assignment and Assumption Agreement total \$1,868,988.

(g) *Barney Ridge Property, Yukon*

In June 2020, the Company entered into an option agreement with veteran prospector Bernie Kreft to acquire a 100% interest in the Barney Ridge gold property located next to the Company's RC Gold property approximately 110 km east of Dawson City, Yukon.

The Company has the right to acquire a 100% interest in the Barney Ridge claims subject to the following terms:

- (1) pay Bernie Kreft \$150,000 in aggregate:
  - (i) \$2,500 on signing (paid);
  - (ii) \$2,500 on December 15, 2020 (paid);
  - (iii) \$10,000 on June 26, 2021;
  - (iv) \$15,000 on June 26, 2022;
  - (v) \$20,000 on June 26, 2023;
  - (vi) \$40,000 on June 26, 2024; and
  - (vii) \$60,000 on June 26, 2025.
- (2) incur Expenditures in the aggregate amount of not less than \$850,000 as follows:
  - (i) in the amount of \$60,000 by June 26, 2021 (incurred);
  - (ii) in the aggregate amount of \$140,000 by June 26, 2022;
  - (iii) in the aggregate amount of \$220,000 by June 26, 2023;
  - (iv) in the aggregate amount of \$300,000 by June 26, 2024; and
  - (v) in the aggregate amount of \$850,000 by June 26, 2025.
- (3) issue 500,000 Common Shares in aggregate to Bernie Kreft as follows:
  - (i) 50,000 Common Shares on signing (issued);
  - (ii) an additional 50,000 Common Shares on June 26, 2021;
  - (iii) an additional 50,000 Common Shares on June 26, 2022;
  - (iv) an additional 50,000 Common Shares on June 26, 2023;
  - (v) an additional 100,000 Common Shares on June 26, 2024; and
  - (vi) an additional 200,000 Common Shares on June 26, 2025.

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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### 6. Exploration and evaluation assets (continued)

- (4) An additional \$200,000 is payable and 1,000,000 shares issuable upon the Company publicly disclosing an Inferred Mineral Resource or greater category of 750,000 ounces of gold or greater (as such term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101")). The property is subject to a 2% NSR, one-half of which can be purchased for \$1,500,000 at any time prior to commencement of commercial production.

(h) *Clear Creek Gold Property, Yukon*

In June 2020, the Company entered into an additional option agreement with veteran prospector Bernie Kreft to acquire a 100% interest in the Clear Creek Gold Property located adjacent to the Company's RC Gold Property approximately 110 kilometers east of Dawson City, Yukon.

The Company has the right to acquire a 100% interest in the Barney Ridge claims subject to the following terms:

- (1) pay Bernie Kreft \$230,000 in aggregate:

- (i) \$10,000 on signing (paid);
- (ii) \$10,000 on December 15, 2020 (paid);
- (iii) \$25,000 on June 26, 2021;
- (iv) \$30,000 on June 26, 2022;
- (v) \$35,000 on June 26, 2023;
- (vi) \$40,000 on June 26, 2024; and
- (vii) \$80,000 on June 26, 2025.

- (2) incur Expenditures in the aggregate amount of not less than \$1,250,000 as follows:

- (i) in the amount of \$80,000 by June 26, 2021 (incurred);
- (ii) in the aggregate amount of \$200,000 by June 26, 2022;
- (iii) in the aggregate amount of \$350,000 by June 26, 2023;
- (iv) in the aggregate amount of \$600,000 by June 26, 2024; and
- (v) in the aggregate amount of \$1,250,000 by June 26, 2025.

- (3) issue 600,000 Common Shares in aggregate to Bernie Kreft as follows:

- (i) 50,000 Common Shares on signing (issued);
- (ii) an additional 50,000 Common Shares on June 26, 2021;
- (iii) an additional 50,000 Common Shares on June 26, 2022;
- (iv) an additional 50,000 Common Shares on June 26, 2023;
- (v) an additional 100,000 Common Shares on June 26, 2024; and
- (vi) an additional 300,000 Common Shares on June 26, 2025.

- (4) An additional \$200,000 is payable and 1,000,000 shares issuable upon the Company publicly disclosing an Inferred Mineral Resource or greater category of 750,000 ounces of gold or greater (as such term is defined in National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101")). The property is subject to a 2% NSR, one-half of which can be purchased for \$1,500,000 at any time prior to commencement of commercial production.

(i) *OGI Property, Yukon*

In August 2020, the Company entered into an option agreement with Fox Exploration Limited ("Fox") whereby the Company can acquire a 100% interest in the OGI Property located in Yukon's prolific Tombstone Gold Belt, subject to the following terms:

**Sitka Gold Corp.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

**6. Exploration and evaluation assets (continued)**

- (1) pay Fox \$225,000 in aggregate:
  - (i) \$10,000 within five days of approval date (paid);
  - (ii) \$15,000 on or before December 31, 2020 (paid);
  - (iii) \$20,000 on or before December 31, 2021;
  - (iv) \$30,000 on or before December 31, 2022;
  - (v) \$50,000 on or before December 31, 2023; and
  - (vi) \$100,000 on or before December 31, 2024.
  
- (2) incur Expenditures in the aggregate amount of not less than \$2,500,000 as follows:
  - (i) in the amount of \$100,000 on or before December 31, 2020 (incurred);
  - (ii) in the aggregate amount of \$200,000 on or before December 31, 2021;
  - (iii) in the aggregate amount of \$500,000 on or before December 31, 2022;
  - (iv) in the aggregate amount of \$1,250,000 on or before December 31, 2023; and
  - (v) in the aggregate amount of \$2,500,000 on or before December 31, 2024.
  
- (3) issue 1,000,000 Common Shares in aggregate to Fox as follows:
  - (i) 100,000 Common Shares within five days of approval date (issued);
  - (ii) an additional 100,000 Common Shares on or before December 31, 2020 (issued);
  - (iii) an additional 100,000 Common Shares on or before December 31, 2021;
  - (iv) an additional 200,000 Common Shares on or before December 31, 2022;
  - (v) an additional 200,000 Common Shares on or before December 31, 2023; and
  - (vi) an additional 300,000 Common Shares on or before December 31, 2024.

The Company must also issue a bonus of 500,000 shares if 1 million ounces of gold equivalent in any category is defined in a published NI 43-101 resource estimate. Fox also retains a 2% NSR on the OGI claims, half of which can be purchased for \$2,000,000.

**7. Accounts payable and accrued liabilities**

|                     | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|---------------------|-----------------------|--------------------------|
| Accounts payable    | \$46,912              | \$1,537                  |
| Accrued liabilities | 10,000                | 11,024                   |
| Total               | \$56,912              | \$12,561                 |

**8. Loan**

During the quarter ended March 31 2021, the Company applied for and received \$60,000 in Canada Emergency Business Account ("CEBA") which was an interest-free loan to cover operating costs which was offered in the context of the Covid-19 pandemic outbreak. Repaying \$40,000 of the loan on or before December 31, 2022 will result in a loan forgiveness of \$20,000. On December 31, 2022, the Company has the option to extend the loan for 3 years without the loan forgiveness and it will bear a 5% interest rate from December 31, 2022.

**9. Share capital**

- (a) Authorized  
Unlimited common shares with no par value
  
- (b) Issued and outstanding

**Sitka Gold Corp.**

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

**9. Share capital (continued)**

|   | <b>Number of<br/>Common<br/>shares</b> | <b>Share Capital</b> |
|---|--|----------------------|
| <i>Balance, December 31, 2018</i>         | 19,777,000                             | \$1,974,005          |
| Financing, net of issue costs (i)         | 10,020,654                             | 1,048,685            |
| Issued pursuant to option agreement (ii)  | 900,000                                | 142,000              |
| <i>Balance, December 31, 2019</i>         | 30,697,654                             | \$3,164,690          |
| Shares issued on warrants exercised       | 4,278,745                              | 744,069              |
| Shares issued on stock options exercised  | 125,000                                | 15,000               |
| Issued pursuant to option agreement (iii) | 3,000,000                              | 598,500              |
| Financing (iv)                            | 1,084,665                              | 130,160              |
| Financing (v)                             | 13,204,332                             | 1,121,384            |
| Financing (vi)                            | 6,000,000                              | 1,200,000            |
| <i>Balance, December 31, 2020</i>         | 58,390,396                             | \$6,973,803          |
| Financing (vii)                           | 50,945,086                             | 6,114,630            |
| Shares issued on warrants exercised       | 207,500                                | 29,200               |
| <i>Balance, March 31, 2021</i>            | 109,542,982                            | \$13,117,633         |

- (i) In October 2019, the Company issued 10,020,654 units at a price of \$0.11 per unit for gross proceeds of \$1,102,272. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share at a price of \$0.16 until August 8, 2021.

In connection with this financing, the Company paid finder's fee of \$23,196 and issued 12,000 warrants with the same term as the above warrants. The fair value was estimated to be \$1,002 using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 1.36% and an expected volatility of 147%.

In addition, the Company also issued 198,872 broker warrants to the agent. Each broker warrant entitles the holder to purchase an additional share at a price of \$0.16 until October 31, 2022. The fair value was estimated to be \$20,284 using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 1.52% and an expected volatility of 148%.

- (ii) During the year ended December 31, 2019, pursuant to BEE and BOP Property agreement between the Company and William Mann (note 6), 100,000 shares were issued with a fair value of \$15,500. Pursuant to RC Property agreement between the Company and Fox Exploration Ltd (note 6), 300,000 shares were issued with a fair value of \$46,500.

During the year ended December 31, 2019, pursuant to Burro Creek Property agreement between the Company and Coelton Ventures Ltd (note 6), 500,000 shares were issued with a fair value of \$80,000.

- (iii) In January 2020, pursuant to Mahtin Gold Property agreement between the Company and StrikePoint Gold Inc (note 6), 2,000,000 shares were issued with a fair value of \$400,000.

In July 2020, pursuant to Clear Creek Property agreement between the Company and Bernie Kreft (note 6), 50,000 shares were issued with a fair value of \$12,000.

## Sitka Gold Corp.

### Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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#### 9. Share capital (continued)

In July 2020, pursuant to Barney Ridge Property agreement between the Company and Bernie Kreft (note 6), 50,000 shares were issued with a fair value of \$12,000.

During the year ended December 31, 2020, pursuant to OGI Property agreement between the Company and Fox Exploration Limited (note 6), 200,000 shares were issued with a fair value of \$43,000.

In October 2020, pursuant to Burro Creek Property agreement between the Company and Coelton Venture Ltd. (note 6), 500,000 shares were issued with a fair value of \$97,500.

In December, 2020, pursuant to BEE and BOP Property agreement between the Company and William Mann (note 6), 50,000 shares were issued with a fair value of \$8,500. Pursuant to RC Property agreement between the Company and Fox Exploration Ltd (note 6), 150,000 shares were issued with a fair value of \$25,500.

- (iv) In March 2020, the Company closed non-brokered private placement for proceeds of \$130,160 through the issuance of 1,084,665 units at a price of \$0.12 per unit. Each unit will consist of one common share of the Company and one half of one share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.20 per share for a period of 12 months from the date of closing of the private placement.
- (v) In May 2020, the Company closed non-brokered private placement for total proceeds of \$1,188,390 through the issuance of 13,204,332 units at a price of \$0.09 per unit. Each Unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of \$0.14 per share for a period of 24 months from the date of closing of the private placement.

In connection with the private placement, the Company paid total commissions of \$39,175 and issued 435,280 finder's warrants with a fair value of \$27,831. Each finder's warrant is exercisable to one common share of the Company at an exercise price of \$0.14 per share for 12 months from the closing date.

- (vi) In July 23, 2020, the Company closed non-brokered private placement for total proceeds of \$1,200,000 through the issuance of 6,000,000 flow-through units at a price of \$0.20 per unit. Each Flow-Through Unit consists of one flow-through common share and one-half of one non flow-through common share purchase warrant (the "Warrants"). Each warrant is exercisable into one common share at a price of \$0.22 per share for a period of 36 months from the closing date.
- (vii) In March 2021, the Company closed a non-brokered private placement for total proceeds of \$6,377,065.62 through the issuance of 21,243,684 flow-through units at a price of \$0.135 per flow-through unit and 29,243,069 non flow-through units at a price of \$0.12 per non flow-through unit. Each flow-through unit is comprised of a common share of Sitka and a half warrant. Each non flow-through unit is comprised of a common share of Sitka and a full warrant. Each warrant is exercisable into one common share at a price of \$0.18 per share for a period of 36 months from the closing date.

In connection with the private placement, the Company paid commissions totaling \$272,538 and issued 2,138,122 finder's warrants. Each finder's warrant is exercisable to one common share of the company at exercise price of \$0.18 per share for 36 months from the closing date. The Company also issued 458,333 shares as a commission on a portion of the proceeds of the financing.

**Sitka Gold Corp.**

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**9. Share capital (continued)**

## (c) Share purchase warrants

At March 31, 2021, the Company had warrants outstanding and exercisable as follows:

|                            | Number of Warrants | Weighted Average<br>Exercise Price \$ |
|----------------------------|--------------------|---------------------------------------|
| Balance, December 31, 2018 | 12,877,000         | 0.21                                  |
| Granted                    | 96,000             | 0.17                                  |
| Granted (b(i))             | 5,010,327          | 0.16                                  |
| Granted (b(i))             | 210,872            | 0.16                                  |
| Expired                    | (1,450,000)        | 0.15                                  |
| Balance, December 31, 2019 | 16,744,199         | 0.21                                  |
| Expired                    | (7,189,255)        | 0.15                                  |
| Exercised                  | (4,278,745)        | 0.19                                  |
| Granted (b(iv))            | 542,333            | 0.20                                  |
| Granted (b(v))             | 13,639,612         | 0.14                                  |
| Granted (b(vi))            | 3,000,000          | 0.22                                  |
| Balance, December 31, 2020 | 22,458,144         | 0.16                                  |
| Granted (b(vii))           | 39,864,910         | 0.18                                  |
| Granted (b(vii))           | 2,138,122          | 0.18                                  |
| Expired                    | (207,500)          | 0.14                                  |
| Exercised                  | (542,333)          | 0.20                                  |
| Balance, March 31, 2021    | 63,711,343         | 0.17                                  |

The weighted average life of the warrants outstanding at March 31, 2021 is 2.31 years.

(e) *Stock options*

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved a number of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

A summary of outstanding stock options at March 31, 2021 is as follows:

| Number of stock options<br>exercisable | Exercise price (\$) | Expiry date       |
|--|---------------------|-------------------|
| 1,000,000                              | 0.25                | May 15, 2022      |
| 200,000                                | 0.25                | March 5, 2023     |
| 750,000                                | 0.12                | June 15, 2024     |
| 125,000                                | 0.12                | October 17, 2022  |
| 2,000,000                              | 0.14                | May 27, 2025      |
| 500,000                                | 0.17                | June 10, 2025     |
| 300,000                                | 0.18                | October 28, 2022  |
| 50,000                                 | 0.18                | November 18, 2025 |
| <u>4,925,000</u>                       |                     |                   |

**Sitka Gold Corp.**

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(Expressed in Canadian dollars)

**9. Share capital (continued)**

Stock option transactions are summarized as follows:

|                            | Number of<br>stock options | Weighted average<br>exercise price<br>\$ | Weighted<br>average<br>remaining life<br>(years) |
|----------------------------|----------------------------|--|--|
| Balance, December 31, 2018 | 1,200,000                  | 0.25                                     | 3.27   |
| Granted (i)                | 750,000                    | 0.12                                     |  |
| Granted (ii)               | 250,000                    | 0.12                                     |  |
| Balance, December 31, 2019 | 2,200,000                  | 0.19                                     | 3.07   |
| Granted (iii)              | 2,000,000                  | 0.14                                     |  |
| Granted (iv)               | 500,000                    | 0.17                                     |  |
| Granted (v)                | 300,000                    | 0.18                                     |  |
| Granted (vi)               | 50,000                     | 0.18                                     |  |
| Exercised                  | (125,000)                  | 0.12                                     |  |
| Balance, December 31, 2020 | 4,925,000                  | 0.17                                     | 3.73   |
| Balance, March 31, 2021    | 4,925,000                  | 0.17                                     | 3.48   |

- (i) On June 15, 2019, the Company granted 750,000 stock options to certain directors, officers, employees and consultants exercisable at \$0.12 per share for a period of five years until July 1, 2024. The total fair value was estimated to be \$68,200 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 1.33% and an expected volatility of 154%.
- (ii) On October 17, 2019, the Company granted 250,000 stock options to consultants exercisable at \$0.12 per share for a period of five years until October 17, 2022. The total fair value was estimated to be \$24,168 using the Black-Scholes Option Pricing Model assuming an expected life of 3 years, expected dividend yield of 0%, a risk-free interest rate of 1.64% and an expected volatility of 148%.
- (iii) On May 27, 2020, the Company granted an aggregate of 2,000,000 stock options to officers, directors and consultants of the Company. The Options are exercisable at \$0.14 per share for a period of 5 years from the date of grant. The total fair value was estimated to be \$259,530 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 0.29% and an expected volatility of 160%.
- (iv) On June 10, 2020, the Company granted 500,000 stock options to a consultant of the Company. The options are exercisable at \$0.17 per share for a period of 5 years. The total fair value was estimated to be \$78,311 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 0.26% and an expected volatility of 157%.
- (v) On October 28, 2020, the Company granted 300,000 stock options to a consultant of the Company. The options are exercisable at \$0.18 per share for a period of 2 years. The total fair value was estimated to be \$34,319 using the Black-Scholes Option Pricing Model assuming an expected life of 2 years, expected dividend yield of 0%, a risk-free interest rate of 0.26% and an expected volatility of 141%.
- (vi) On November 18, 2020, the Company granted 50,000 stock options to a consultant of the Company. The options are exercisable at \$0.18 per share for a period of 5 years. The total fair value was estimated to be \$8,965 using the Black-Scholes Option Pricing Model assuming an expected life of 5 years, expected dividend yield of 0%, a risk-free interest rate of 0.26% and an expected volatility of 112%.

## Sitka Gold Corp.

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

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### 10. Related parties

The Company had the following transactions involving key management during the quarter ended March 31, 2021:

- (a) An officer of the Company provided geological services to the Company. Fee incurred during the quarter were \$6,000 (2020 - \$nil).
- (b) A director of the Company provided consulting services to the Company. Fee incurred during the quarter were \$6,000 (2020 - \$nil).

Due to related parties consists of the following:

|   | March 31, 2021  | March 31, 2020   |
|---|-----------------|------------------|
| Due to a director of the Company  | \$569           | \$ -             |
| Due to a company controlled by the director of the Company<br>to provide geological services to the Company | \$70,945        | \$183,077        |
|   | <u>\$71,514</u> | <u>\$183,077</u> |

### 11. Financial instruments

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

**Credit Risk** - The Company's credit risk is primarily attributable to its liquid financial assets. The Company's primary exposure to credit risk is on its cash. Cash are held with the same financial institution giving rise to a concentration of credit risk. This risk is managed by using a major Canadian bank that is a high credit quality financial institution. Credit risk could also be the risk of unexpected loss if a third party to a financial instruments fails to meet its contractual obligations."

**Liquidity Risk** - Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. All of the Company's financial liabilities are due within a year.

**Interest rate risk** - Interest rate risk refers to the risk that fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as cash earns interest income at variable rates. The fair value of cash is minimally affected by changes in short term interest rates.

**Foreign currency risk** - Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to foreign currency risk to the extent that certain monetary financial instruments and other assets are denominated in United States dollars. The Company has not entered into any foreign currency contracts to mitigate this risk, as it believes this risk is minimized by the minimal amount of cash held in United States funds.

**Commodity price risk** - The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.



**Sitka Gold Corp.**

Notes to the Consolidated Financial Statements

For the Quarter Ended March 31, 2021

(Expressed in Canadian dollars)

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**12. Capital Management**

Management's objective is to manage its capital to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern through the optimization of its capital structure. The capital structure consists of share capital and working capital. In order to achieve this objective, management makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. To maintain or adjust capital structure, management may invest its excess cash in interest bearing accounts of Canadian chartered banks and/or raise additional funds externally as needed. The Company is not subject to externally imposed capital requirements. The Company's management of capital did not change during the quarter ended March 31, 2021.

**13. Subsequent Events**

In April 2021, the Company granted an aggregate of 4,500,000 incentive stock options to officers, directors and consultants of the Company. The stock options are exercisable at \$0.19 per share for a period of five years from the date of grant and are subject to the policies of the Canadian Securities Exchange.