



K9 Gold Corp.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020**

(Expressed in Canadian Dollars - Unaudited)

K9 GOLD CORP.
TABLE OF CONTENTS
September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

	Page
Table of Contents	2
Notice to Readers	3
Condensed Interim Consolidated Financial Statements	
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Equity	6
Condensed Interim Consolidated Statements of Cash Flows	7
Notes to Condensed Interim Consolidated Financial Statements	8

K9 GOLD CORP.
NOTICE TO READERS
September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

K9 GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars – Unaudited)

	September 30, 2021	December 31, 2020
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash	3,871,844	1,606,462
Receivables	65,695	28,468
Prepays	252,204	442,376
	4,189,743	2,077,306
Exploration and evaluation assets (Notes 3 and 6)	4,207,280	2,132,144
Equipment	-	15
	8,397,023	4,209,465
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 4 and 6)	115,193	115,375
Flow-through premium liability (Note 5)	118,848	-
	234,041	115,375
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	14,521,417	8,521,959
Reserves (Note 5)	2,309,020	1,037,360
Accumulated deficit	(8,667,455)	(5,465,229)
	8,162,982	4,094,090
	8,397,023	4,209,465

Nature and Continuance of Operations (Note 1)
Subsequent event (Note 11)

These condensed interim consolidated financial statements are authorized for issuance by the Board of Directors on November 26, 2021.

On Behalf of the Board of Directors:

Director (*Kosta Tsoutsis*) _____

Director (*Chris Healey*) _____

See accompanying notes to the condensed interim consolidated financial statements.

K9 GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars – Unaudited)

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
ADMINISTRATIVE EXPENSES				
Consulting fees	393,015	80,258	1,573,926	80,258
Interest and bank charges	1,185	1,541	3,775	2,217
Management fees (Note 6)	60,000	30,000	175,000	30,000
Marketing	140,609	163,594	618,455	165,094
Office	13,390	6,578	48,560	9,491
Professional fees	4,243	8,653	28,571	13,312
Rent (Note 6)	4,800	-	11,200	-
Share-based compensation (Notes 5 and 6)	-	695,850	1,005,548	695,850
Travel and related	8,108	1,731	8,182	2,221
Trust and filing fees	20,497	14,937	44,638	24,387
	(645,847)	(1,003,142)	(3,517,855)	(1,022,830)
OTHER ITEM				
Reversal of flow-through premium (Note 5)	289,859	-	289,859	-
NET AND COMPREHENSIVE LOSS FOR THE PERIOD				
	(355,988)	(1,003,142)	(3,227,996)	(1,022,830)
BASIC AND DILUTED NET LOSS PER SHARE				
	(0.01)	(0.04)	(0.07)	(0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING				
	53,989,543	22,439,488	47,192,038	19,594,835

See accompanying notes to the condensed interim consolidated financial statements.

K9 GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars – Unaudited)

	Common shares		Reserves			Accumulated Deficit	Total
	Number	Amount	Stock options	Warrants	Total		
		\$	\$	\$	\$	\$	\$
Balance, December 31, 2019	18,156,879	4,854,503	300,650	-	300,650	(3,593,377)	1,561,776
Shares issued for cash	10,000,000	2,500,000	-	-	-	-	2,500,000
Shares issued for acquisition of exploration and evaluation assets	500,000	220,000	-	-	-	-	220,000
Share issuance costs	-	(100,610)	-	-	-	-	(100,610)
Share-based compensation	-	-	695,850	-	695,850	-	695,850
Stock options cancelled	-	-	(77,310)	-	(77,310)	77,310	-
Comprehensive loss for the period	-	-	-	-	-	(1,022,830)	(1,022,830)
Balance, September 30, 2020	28,656,879	7,473,893	919,190	-	919,190	(4,538,897)	3,854,186
Shares issued for cash	3,295,500	1,038,083	-	-	-	-	1,038,083
Share issuance costs	-	(40,537)	-	14,550	14,550	-	(25,987)
Share-based compensation	-	-	129,390	-	129,390	-	129,390
Stock options exercised	150,000	50,520	(25,770)	-	(25,770)	-	24,750
Comprehensive loss for the period	-	-	-	-	-	(926,332)	(926,332)
Balance, December 31, 2020	32,102,379	8,521,959	1,022,810	14,550	1,037,360	(5,465,229)	4,094,090
Shares issued for cash	20,195,744	6,058,723	-	-	-	-	6,058,723
Finders' shares issued for private placement	576,000	172,800	-	-	-	-	172,800
Share issuance costs	-	(147,559)	-	-	-	-	(147,559)
Share issuance costs by shares issuance	-	(172,800)	-	-	-	-	(172,800)
Share-based compensation	-	-	1,005,548	-	1,005,548	-	1,005,548
Stock options exercised	500,000	168,400	(85,900)	-	(85,900)	-	82,500
Stock options cancelled	-	-	(25,770)	-	(25,770)	25,770	-
Warrants exercised	615,420	304,951	(7,275)	-	(7,275)	-	297,676
Warrants issued in share issuance	-	(122,612)	-	122,612	122,612	-	-
Finders' warrants issued in shares issuance	-	(262,445)	-	262,445	262,445	-	-
Comprehensive loss for the period	-	-	-	-	-	(3,227,996)	(3,227,996)
Balance, September 30, 2021	53,989,543	14,521,417	1,909,413	399,607	2,309,020	(8,667,455)	8,162,982

See accompanying notes to the condensed interim consolidated financial statements.

K9 GOLD CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars – Unaudited)

	For the nine months ended	
	September 30,	
	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Loss for the period	(3,227,996)	(1,022,830)
Adjustments for non-cash items		
Depreciation	-	5
Write off equipment	15	-
Reversal of flow-through premium liability	(289,859)	-
Share-based compensation	1,005,548	695,850
Changes in non-cash operating working capital items:		
Receivables	(37,227)	(41,723)
Prepays	190,172	(406,499)
Accounts payable and accrued liabilities	11,810	(6,453)
CASH USED IN OPERATING ACTIVITIES	(2,347,537)	(781,650)
INVESTING ACTIVITIES		
Exploration and evaluation asset expenditures	(2,087,128)	(215,600)
CASH USED IN INVESTING ACTIVITIES	(2,087,128)	(215,600)
FINANCING ACTIVITIES		
Proceeds from private placement	6,467,430	2,500,000
Share issuance costs	(147,559)	(100,610)
Proceeds from warrants exercised	297,676	-
Proceeds from stock options exercised	82,500	-
CASH FROM FINANCING ACTIVITIES	6,700,047	2,399,390
NET CHANGE IN CASH	2,265,382	1,402,140
CASH, beginning of the period	1,606,462	211,477
CASH, end of the period	3,871,844	1,613,617
Supplemental cash flow information:		
Cash paid for taxes	-	-
Cash paid for interest	-	-
Non-cash investing and financing activities:		
Exploration and evaluation expenditures in accounts payable	71,206	-
Shares issued for acquisition of exploration and evaluation assets	-	220,000
Finders' shares issued	172,800	-
Finders' warrants issued	262,445	-
Fair value of stock options cancelled	25,770	77,310
Warrants issued in share issuance	122,612	-
Reallocation of reserves on options exercised	85,900	-
Reallocation of reserves on warrants exercised	7,275	-

See accompanying notes to the condensed interim consolidated financial statements.

K9 GOLD CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars – Unaudited)

1. NATURE AND CONTINUANCE OF OPERATIONS

Nature of operations

K9 Gold Corp. (the “Company”) was incorporated under the Business Corporations Act (Alberta) on December 10, 2007 and continued into British Columbia under the Business Corporations Act (British Columbia) in March 2016. The Company began trading on April 18, 2011 as a Tier 2 Mining Issuer on the TSX Venture Exchange (“TSX-V”), the OTC Markets in the United States, and FSE in Germany, and currently trades under the symbol, “KNC”, “WDFCF”, and “5GP”, respectively. The Company is engaged in the business of identification, acquisition and exploration of mineral interests.

The head office, principal address and records office of the Company are located at Suite 300 – 1455 Bellevue Ave, West Vancouver, British Columbia, Canada, V7T 1C3. The Company’s registered address is 800 – 885 West Georgia Street, Vancouver, BC, V6C 3H1.

Going concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2021, the Company had working capital of \$3,955,702 (December 31, 2020 – \$1,961,931) but is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with current cash on hand, proceeds from exercise of options, and further private placements.

Since March 2020, there has been a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on the stock market, including trading prices of the Company’s shares and its ability to raise new capital. These factors, among others, could have a significant impact on the Company’s operations.

The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounts Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

This condensed interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the years ended December 31, 2020 and 2019.

K9 GOLD CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Nine Months Ended September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation

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

Foreign Currency Transactions

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

Principles of consolidation

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

Name	Jurisdiction	Parent Company	Ownership, September 30, 2021	Ownership, December 31, 2020
1141717 B.C. Ltd.	British Columbia, Canada	K9 Gold Corp.	100%	100%
Global Vanadium Nevada Corp.	Nevada, USA	1141717 B.C. Ltd.	100%	100%

All intercompany transactions, balances, revenues and expenses are eliminated on consolidation.

Use of estimates and judgments

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and 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 can differ from these estimates.

Significant accounting judgments

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements include, but are not limited to, the following:

- i) Determination of categories of financial assets and financial liabilities; and
- ii) Assessment of the going concern assumption.

K9 GOLD CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Nine Months Ended September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgments (continued)

Critical accounting estimates

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

- i) Deferred income taxes – The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the condensed interim consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

New accounting standards not yet effective

New accounting standards and interpretations have been published that are not mandatory for the current period and have not been adopted early.

IAS 37 - The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments are effective for reporting periods beginning on or after January 1, 2022.

3. EXPLORATION AND EVALUATION ASSETS

	Desert Eagle	Stony Lake East Gold	Total
	\$	\$	\$
Balance, December 31, 2019	1,369,004	-	1,369,004
Acquisition:			
Common shares issued	-	220,000	220,000
Payment in cash	-	75,000	75,000
Exploration:			
Consulting	-	39,285	39,285
Geological	521	405,876	406,397
Maintenance fees	22,458	-	22,458
Balance, December 31, 2020	1,391,983	740,161	2,132,144
Exploration:			
Consulting	-	65,000	65,000
Geological	-	1,989,970	1,989,970
Maintenance fees	20,166	-	20,166
Balance, September 30, 2021	1,412,149	2,795,131	4,207,280

K9 GOLD CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars – Unaudited)

3. EXPLORATION AND EVALUATION ASSETS (continued)

Desert Eagle Project

In November 2018, the Company closed a Share Purchase and Sale Agreement (“SP&S Agreement”) with the shareholders (“Vendors”) of 1141717 B.C. Ltd. (“1141717 BC”) whereby the Company purchased 100% of the outstanding shares of 1141717 BC for \$80,000 (paid) and 7,000,000 common shares of the Company (issued) at a fair value of \$1,260,000. In conjunction with the closing of the SP&S Agreement, the Company incorporated Global Vanadium Nevada Corp. (“GVNC”) which is a wholly owned subsidiary of 1141717 BC. The acquisition of 1141717 BC has been determined to be an asset acquisition as 1141717 BC did not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition of 1141717 BC was accounted for as an asset acquisition whereby the sole asset acquired being exploration and evaluation assets is assigned the entire purchase price.

In connection with the acquisition of 1141717 BC, the title to the Desert Eagle Project was transferred to GVNC. Desert Eagle Project is located in Garfield County, Utah, consists of 97 Lode Claims, a total of 2,004 acres and are prospective for vanadium.

Stony Lake East Gold Project

In July 2020, the Company closed an option agreement with District Copper Corp. (“District”) to acquire up to a 100% interest in the Stony Lake East Gold Project (“Stony Lake Project”) located in the Grand Falls – Bishops Falls area of the Province of Newfoundland. The Stony Lake Project is comprised of 8 mineral licenses covering a total of 13,625 hectares.

In order to exercise the option up to a 75% interest, the Company must make option payments to District as follows:

Date	Cash \$	Number of Shares	Exploration Expenditures
Within 15 business days following August 14, 2020	(paid) 75,000	(issued) 500,000	-
On or before November 14, 2021	(paid) 125,000	(issued) 1,200,000	(incurred) 150,000
On or before August 14, 2022	subsequently) 150,000	subsequently) 1,600,000	(incurred) 250,000
Total	350,000	3,300,000	400,000

In order to exercise a further 25% interest, for a total interest of 100%, the Company must make option payments to District as follows:

Date	Cash \$	Number of Shares	Exploration Expenditures
On or before August 14, 2023	500,000	2,000,000	-

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2021	December 31, 2020
	\$	\$
Trade and other payables	111,693	66,314
Accrued liabilities	3,500	49,061
	115,193	115,375

K9 GOLD CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Nine Months Ended September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

5. SHARE CAPITAL AND RESERVES

Authorized share capital

Unlimited number of Class “A” common shares with no par value.

Issued shares

During the nine months ended September 30, 2021:

In February 2021, the Company closed three tranches of private placements. The first tranche of private placement financing consisted of 2,855,000 non-flow through units (the “NFT Unit”) at a price of \$0.30 per NFT Unit for gross proceeds of \$856,500 (“February 2021 Offering First Tranche”). Each NFT Unit consists of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.40 for a period of three years.

The second tranche of private placement financing consisted of 8,174,143 flow through units (the “FT Unit”) at a price of \$0.35 per FT Unit for gross proceeds of \$2,860,950 (“February 2021 Offering Second Tranche”). Each FT Unit consists of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.40 for a period of three years. The flow-through common shares had an associated flow-through premium liability of \$408,707 on issuance.

The third tranche of private placement financing consisted of 1,666,667 NFT Unit at a price of \$0.30 per unit for gross proceeds of \$500,000 (“February 2021 Offering Third Tranche”). Each NFT Unit consists of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.40 for a period of three years. The company paid an aggregate total of \$112,108 in finders' fees for the three tranches of financing.

In May 2021, the Company closed a private placement financing consists of 7,499,934 units at a price of \$0.30 per unit for gross proceeds of \$2,249,980 (“May 2021 Offering”). Each unit consists of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.40 for a period of three years. In connection with the financing, the Company issued 576,000 units, having the same terms as the financing, with an aggregate fair value of \$435,245 for finder’s fees.

During the nine months ended September 30, 2021, the Company issued 500,000 common shares in connection with the exercise of 500,000 stock options with an exercise price of \$0.165 per share for total proceeds of \$82,500. In addition, the Company issued 615,420 common shares in connection with the exercise of 615,420 warrants with a weighted average exercise price of \$0.40 per share for total proceeds of \$297,676.

During the year ended December 31, 2020:

In August 2020, the Company closed a non-brokered private placement financing of 10,000,000 units at a price of \$0.25 per unit for gross proceeds of \$2,500,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.50 for a period, subject to acceleration, of 24 months following the closing of the August 2020 Offering. The Company paid a total of \$87,360 in finders' fees.

In August 2020, the Company issued 500,000 common shares of the Company at a fair value of \$220,000 in relation to the acquisition of the Stony Lake Project, see Note 3 for details.

In October 2020, the Company closed a non-brokered private placement financing of 3,295,500 units at a price of \$0.315 per unit for gross proceeds of \$1,038. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant shall entitle the holder to purchase an additional common share of the Company at a price of \$0.42 for a period of three years. The company paid a total of \$20,047 and issued 50,840 warrants in finders' fees.

K9 GOLD CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Nine Months Ended September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

5. SHARE CAPITAL AND RESERVES (continued)

Issued shares (continued)

During the year ended December 31, 2020, the Company issued 150,000 common shares in connection with the exercise of 150,000 stock options with an exercise price of \$0.165 per share for total proceeds of \$24,750.

Basic and diluted loss per share

The calculation of basic and diluted income per share for the nine months ended September 30, 2021 was based on the loss attributable to common shareholders of \$3,227,996 (September 30, 2020 – \$1,022,830) and the weighted average number of common shares outstanding of 47,192,038 (September 30, 2020 – 19,594,835).

As at September 30, 2021, 4,875,000 (December 31, 2020 – 2,950,000) stock options and 33,502,664 (December 31, 2020 – 13,346,340) warrants were not included in the calculation of diluted loss per share as the effect would be anti-dilutive.

Flow through premium liability

The following is a continuity schedule of the liability portion of the flow-through share issuances:

	Liability portion of the flow-through share issuance
	\$
Balance, December 31, 2020	-
Flow-through premium liability	408,707
Settlement of flow-through share premium liability pursuant to qualified expenditures	(289,859)
Balance, September 30, 2021	118,848

The Company is required to incur \$2,860,950 of eligible exploration and evaluation expenditures by December 31, 2021 in connection with the issuance of flow-through shares on February 5, 2021.

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

In September 2020, the Company issued 1,500,000 stock options to certain officers, directors, and consultants of the Company at an exercise price of \$0.55. These options were granted for a period of five years and vest upon issuance. The estimated fair value, \$695,850, was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.36%, forfeiture rate of 0%, no annual dividends, expected volatility of 138% and a market price of shares at grant date \$0.53.

In November 2020, the Company granted 300,000 stock options to an officer and a consultant of the Company at an exercise price of \$0.45. These options were granted for a period of five years and vest upon issuance. The estimated fair value, \$129,390, was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.45%, forfeiture rate of 0%, no annual dividends, expected volatility of 145% and a market price of shares at grant date \$0.48.

K9 GOLD CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Nine Months Ended September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

5. SHARE CAPITAL AND RESERVES (continued)

Stock options (continued)

In March 2021, the Company granted 1,375,000 stock options to certain officers, directors, and consultants of the Company at an exercise price of \$0.32. These options were granted for a period of five years and vest upon issuance. The estimated fair value, \$388,988, was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.99%, forfeiture rate of 0%, no annual dividends, expected volatility of 146% and a market price of shares at grant date \$0.315.

In May 2021, the Company granted 1,200,000 stock options to certain officers, directors, and consultants of the Company at an exercise price of \$0.56. These options were granted for a period of five years and vest upon issuance. The estimated fair value, \$616,560, was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.87%, forfeiture rate of 0%, no annual dividends, expected volatility of 147% and a market price of shares at grant date \$0.57.

During the nine months ended September 30, 2021, the Company recorded share-based compensation of \$1,005,548 (September 30, 2020 - \$695,850). In addition, 500,000 stock options were exercised and as a result, \$85,900 was reclassified from reserves to share capital. 150,000 stock options were cancelled and as a result, \$25,770 was reclassified from reserves to accumulated deficit.

A summary of changes of stock options outstanding is as follows:

	Number of Options	Weighted Average Exercise Price
		\$
Balance, December 31, 2019	1,750,000	0.165
Granted	1,800,000	0.53
Cancelled	(450,000)	0.165
Exercised	(150,000)	0.165
Balance, December 31, 2020	2,950,000	0.39
Granted	2,575,000	0.43
Cancelled	(150,000)	0.165
Exercised	(500,000)	0.165
Balance, September 30, 2021	4,875,000	0.43

During the nine months ended September 30, 2021, the average share price on the date of options exercised was \$0.62 (during the year ended December 31, 2020 - \$0.375) per share.

As at September 30, 2021, the following options were outstanding and exercisable:

Number of Options	Weighted Average Exercise Price	Expiry Date
	\$	
500,000	0.165	October 15, 2023
1,500,000	0.55	September 28, 2025
300,000	0.45	November 9, 2025
1,375,000	0.32	March 1, 2026
1,200,000	0.56	May 19, 2026
4,875,000		

The weighted average life of options outstanding at September 30, 2021 was 4.08 years.

K9 GOLD CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Nine Months Ended September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

5. SHARE CAPITAL AND RESERVES (continued)

Warrants

During the nine months ended September 30, 2021, the Company issued the following warrants:

- In connection with the February 2021 Offering First Tranche, 2,855,000 warrants with an exercise price of \$0.40 per share.
- In connection with the February 2021 Offering Second Tranche, 8,174,143 warrants with an exercise price of \$0.40 per share. The estimated fair value, \$122,612, was calculated using the residual method based on the following assumptions: market price of shares at issue date \$0.335 and a value of \$0.015 per warrant issued.
- In connection with the February 2021 Offering Third Tranche, 1,666,667 warrants with an exercise price of \$0.40 per share.
- In connection with the May 2021 Offering, 7,499,934 warrants and 576,000 finders' warrants with an exercise price of \$0.40 per share.

During the nine months ended September 30, 2021, 615,420 warrants were exercised and as a result, \$7,275 was reclassified from reserves to share capital.

A summary of changes of warrants outstanding is as follows:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2019	-	-
Issued	13,346,340	0.48
Balance, December 31, 2020	13,346,340	0.48
Issued	20,771,744	0.40
Exercised	(615,420)	0.48
Balance, September 30, 2021	33,502,664	0.43

As at September 30, 2021, the following warrants were outstanding and exercisable:

Number of Warrants	Weighted Average Exercise Price	Expiry Date
	\$	
9,510,000	0.50	August 25, 2022
3,220,920	0.42	October 27, 2023
2,855,000	0.40	February 5, 2024
9,840,810	0.40	February 22, 2024
8,075,934	0.40	May 14, 2024
33,502,664		

The weighted average life of warrants outstanding at September 30, 2021 was 1.99 years.

K9 GOLD CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars – Unaudited)

6. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

	For the nine months ended	
	September 30,	
	2021	2020
	\$	\$
Management fees	175,000	30,000
Exploration and evaluation expenditures	857,822	-
Share-based compensation	664,236	278,341
	1,697,058	308,341

All related party transactions are recorded at the amount agreed to by the Company and the related party. During the nine months ended September 30, 2021, the Company entered into the following transactions with key management personnel:

- Paid or accrued management fees of \$87,500 (September 30, 2020 – \$15,000) to the CFO and director of the Company.
- Paid or accrued management fees of \$87,500 (September 30, 2020 – \$15,000) to a director of the Company.
- Paid or incurred exploration and evaluation expenditures of \$91,500 (September 30, 2020 – \$nil) to the CEO and director of the Company. As at September 30, 2021, \$15,059 (December 31, 2020 - \$nil) was included in accounts payable and accrued liabilities owing to the CEO and director of the Company for exploration and evaluation expenditures.
- Paid or incurred exploration and evaluation expenditures of \$87,188 (September 30, 2020 – \$nil) to a director of the Company. As at September 30, 2021, \$17,400 (December 31, 2020 - \$nil) was included in accounts payable and accrued liabilities owing to the director of the Company for exploration and evaluation expenditures.
- Paid or incurred exploration and evaluation expenditures of \$679,134 (September 30, 2020 – \$nil) to a company related by a common director of the Company.
- Paid or accrued rent of \$11,200 (September 30, 2020 – \$nil) to a company related by a common officer of the Company. As at September 30, 2021, \$3,360 (December 31, 2020 - \$nil) was included in accounts payable and accrued liabilities for unpaid rent.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash, receivables, and accounts payable and accrued liabilities approximates their carrying values.

K9 GOLD CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For The Three and Nine Months Ended September 30, 2021

(Expressed in Canadian Dollars – Unaudited)

8. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and its receivables. The Company has deposited its cash with a large Canadian financial institution and its receivables mostly consist of amounts due from the Canadian government. Management believes the risk of loss is low.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure that it will have sufficient working capital to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$3,871,844 to settle current liabilities of \$234,041.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(d) Currency risk

The Company's operations and financing activities are conducted majorly in Canadian dollars and, as a result, the Company is not subject to significant exposure to market risks from changes in foreign currency rates.

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to interest rate risk.

9. CAPITAL DISCLOSURE AND MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to meet its exploration commitments. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure.

The Company considers its capital structure to include shareholders' equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms and approved by the TSX-V. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's overall strategy remains unchanged from 2020. The Company is not subject to any externally imposed capital requirements.

K9 GOLD CORP.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For The Three and Nine Months Ended September 30, 2021
(Expressed in Canadian Dollars – Unaudited)

10. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration and development. The Company's reportable segments are summarized as follows:

September 30, 2021	Canada	USA	Total
	\$	\$	\$
Exploration and evaluation assets	2,795,131	1,412,149	4,207,280
Other assets	4,189,743	-	4,189,743
	6,984,874	1,412,149	8,397,023

December 31, 2020	Canada	USA	Total
	\$	\$	\$
Equipment	15	-	15
Exploration and evaluation assets	740,161	1,391,983	2,132,144
Other assets	2,077,306	-	2,077,306
	2,817,482	1,391,983	4,209,465

11. SUBSEQUENT EVENT

In November 2021, the Company paid \$125,000 and issued 1,200,000 common shares to District in relation to the option payments for the Stony Lake Project.