

K2 Gold Corporation

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

In Canadian Dollars

Notice of Non-review of Condensed Interim Consolidated Financial Statements

In accordance with National Instrument 51-102, the Company discloses that the accompanying condensed interim consolidated financial statements have been prepared by and are the responsibility of the Company's management. They have been reviewed and approved by the Company's Audit Committee and the Board of Directors.

The attached condensed interim consolidated financial statements for the nine months ended September 30, 2022 have not been reviewed by the Company's auditors.

K2 Gold Corporation
Condensed Interim Consolidated Statements of Financial Position
For the Nine Months Ended September 30, 2022 and 2021
(Amounts are expressed in Canadian Dollars)

| | Note | September 30, 2022 | December 31, 2021 |
|---|------|-----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | \$ 769,618 | \$ 2,850,680 |
| Amounts receivable | | 13,856 | 18,419 |
| Prepaid expenses | | 46,014 | 46,963 |
| | | 829,488 | 2,916,062 |
| Exploration and evaluation assets | 4,9 | 12,500,543 | 11,143,603 |
| Reclamation Bond | | 68,535 | 63,390 |
| | | 12,569,078 | 11,206,993 |
| TOTAL ASSETS | | \$ 13,398,566 | \$ 14,123,055 |
| Liabilities and Shareholders' Equity | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 9 | \$ 337,329 | \$ 338,351 |
| Long Term Liabilities | | | |
| CEBA Loan | 8 | 40,000 | 40,000 |
| | | 377,329 | 378,351 |
| Shareholders' Equity | | | |
| Share capital | 5 | 26,761,673 | 26,761,673 |
| Reserves | 5 | 6,360,988 | 6,100,992 |
| Deficit | | (20,101,424) | (19,117,961) |
| | | 13,021,237 | 13,744,704 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | \$ 13,398,566 | \$ 14,123,055 |

Nature of operations and going concern (Note 1)
 Commitments (Note 10)

Approved on behalf of the Board of Directors on November 28, 2022

"Stephen Swatton" _____, Director

"Carolyn Loder" _____, Director

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

K2 Gold Corporation
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Nine Months Ended September 30, 2022 and 2021
(Amounts are expressed in Canadian Dollars)

| | Three Months Ended September 30, 2022 | Three Months Ended September 30, 2021 | Nine Months Ended September 30, 2022 | Nine Months Ended September 30, 2021 |
|---|---|---|--|--|
| Expenses | | | | |
| Advertising, marketing and promotion | \$ 22,805 | \$ 60,360 | \$ 92,645 | \$ 262,857 |
| Consulting | - | 8,409 | - | 18,409 |
| Corporate listing and filing fees | 15,793 | 5,752 | 43,139 | 58,307 |
| Office and administration | 21,715 | 36,449 | 83,114 | 112,112 |
| Personnel | 81,779 | 86,152 | 295,725 | 426,367 |
| Professional fees | 20,456 | 35,356 | 87,429 | 83,793 |
| Property investigation | 5,015 | - | 5,015 | - |
| Rent | 15,053 | 11,452 | 37,958 | 32,434 |
| Share-based compensation | 99,212 | 84,951 | 259,996 | 169,902 |
| Travel and conferences | 50,569 | 8,757 | 97,184 | 18,290 |
| Loss Before the Undernoted | (332,397) | (337,638) | (1,002,205) | (1,182,471) |
| Other Income (Expenses) | | | | |
| Interest income | 7,364 | 7,532 | 17,983 | 30,154 |
| Write-off exploration and evaluation assets | - | - | - | (9,000) |
| Foreign Exchange Adjustment | (683) | 190,635 | 759 | (134,489) |
| Loss for the Period | (325,716) | (139,471) | (983,463) | (1,295,806) |
| Comprehensive Loss for the Period | \$ (325,716) | \$ (139,471) | (983,463) | (1,295,806) |
| Loss per share – basic and diluted | \$ (0.005) | \$ (0.002) | (0.015) | (0.018) |
| Weighted average number of common shares outstanding | 64,848,634 | 64,817,330 | 64,848,634 | 64,509,953 |

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

K2 Gold Corporation
Condensed Interim Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2022 and 2021
(Amounts are expressed in Canadian Dollars)

| Cash Provided By (Used In): | 2022 | 2021 |
|--|--------------|----------------|
| Operating activities: | | |
| Net loss for the period | \$ (983,463) | \$ (1,295,806) |
| Items not involving cash: | | |
| Write-off exploration and evaluation assets | - | 9,000 |
| Share based compensation | 259,996 | 169,904 |
| Foreign exchange | (5,145) | (45) |
| Change in non-cash working capital items: | | |
| Accounts receivable | 4,563 | (27,654) |
| Prepaid expenses | 949 | 121,153 |
| Accounts payable and accrued liabilities | 21,964 | (54,156) |
| | (701,136) | (1,077,559) |
| Investing activities: | | |
| Exploration and evaluation expenditures | (1,379,926) | (2,572,117) |
| | (1,379,926) | (2,572,162) |
| Financing activities: | | |
| | - | - |
| | - | - |
| Net increase in cash and cash equivalents | (2,081,062) | (3,649,721) |
| Cash and cash equivalents, beginning of year | 2,850,680 | 7,404,497 |
| Cash and cash equivalents, end of the period | \$ 769,618 | \$ 3,754,776 |

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

K2 Gold Corporation**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity****For the Nine Months Ended September 30, 2022 and 2021***(Amounts are expressed in Canadian Dollars)*

| | Share Capital | | Obligation to issue shares | Reserves | Deficit | Total |
|---|---------------------|----------------------|-------------------------------|---------------------|------------------------|----------------------|
| | Number of Shares | Amount | | | | |
| Balance December 31, 2020 | 64,218,634 | \$ 26,487,173 | \$ 106,500 | \$ 5,774,401 | \$ (17,301,850) | \$ 15,066,224 |
| Shares issued to property vendors | 150,000 | 106,500 | (106,500) | - | - | - |
| Shares issued for exploration & evaluation assets | 480,000 | 168,000 | - | - | - | 168,000 |
| Share based compensation | - | - | - | 169,902 | - | 169,902 |
| Loss for the period | - | - | - | - | (1,295,806) | (1,295,806) |
| Balance, September 30, 2021 | 64,848,634 | \$ 26,761,673 | \$ - | \$ 5,944,305 | \$ (18,597,656) | \$ 14,108,322 |
| Balance December 31, 2021 | 64,848,634 | \$ 26,761,673 | \$ - | \$ 6,100,992 | \$ (19,117,961) | \$ 13,774,704 |
| Share based compensation | - | - | - | 259,996 | - | 259,996 |
| Loss for the period | - | - | - | - | (983,463) | (983,463) |
| Balance, September 30, 2022 | 64,848,634 | \$ 26,761,673 | \$ - | \$ 6,360,988 | \$ (20,101,424) | \$ 13,021,237 |

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

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

K2 Gold Corporation (“K2 Gold”, “K2” or the “Company”) was incorporated on May 3, 2011, pursuant to the Business Corporations Act of British Columbia, Canada. The Company’s head office is located at Suite 1020 – 800 West Pender St., Vancouver, BC, V6C 2V6. The Company’s common shares are publicly listed on the Toronto Stock Exchange’s Venture Exchange (the “Exchange”) under the symbol “KTO”.

K2 Gold is an exploration stage company with its primary focus being the exploration of mineral properties in California, the Yukon Territory, and Alaska.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company’s ability to obtain financing to develop its property and the ultimate realization of profits through future production or sale of its property. Realized values may be substantially different than carrying values as recorded in these consolidated financial statements.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At September 30, 2022, the Company had not achieved profitable operations and had an accumulated deficit. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. To date, there have been no adverse effects on the Company’s business or ability to raise funds.

2. Basis of Presentation

a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). In addition, these condensed interim consolidated financial statements have been prepared using interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”) in effect at September 30, 2022 and the same accounting policies and methods of their application as the most recent annual financial statements of the Company, except the newly adopted standards and interpretations described below (Note 3).

b) Approval of the consolidated financial statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on November 28, 2022.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its consolidated financial statements.

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

2. Basis of Presentation (continued)

c) Functional and Presentation Currency (continued)

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

d) Basis of consolidation:

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries K2 Gold Alaska, Inc. ("K2 Gold Alaska") and Mojave Precious Metals Inc. ("Mojave Precious Metals"). The financial statements of K2 Gold Alaska and Mojave Precious Metals are included in the condensed interim consolidated financial statements from the date on which control was transferred to the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant intercompany accounts and transactions have been eliminated on consolidation.

3. Significant Accounting Policies

Critical accounting judgments, estimates and assumptions

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amount of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are noted below with further details of the assumptions contained in the relevant note.

The preparation of these condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Key sources of estimation uncertainty

Exploration and evaluation assets

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

3. Significant Accounting Policies (continued)

Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the exploration and evaluation assets themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Deferred tax assets and liabilities

The measurement of a deferred tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future tax provisions or recoveries could be affected.

Share-based compensation

Share-based compensation expense is measured by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them.

New and revised standards and interpretations

The accounting policies in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2021.

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets

| Mojave Property: | | Acquisition Costs | Deferred Exploration | Total |
|------------------------------------|----|----------------------|-------------------------|------------------|
| Balance, December 31, 2020 | \$ | 1,269,626 | 3,443,058 | 4,712,684 |
| Cash Payment | | 346,375 | - | 346,375 |
| Staking | | 31,386 | - | 31,386 |
| Shares issued | | 168,000 | - | 168,000 |
| Geology | | - | 1,362,268 | 1,362,268 |
| Aviation | | - | 50,116 | 50,116 |
| Land use & Licenses | | - | 293,034 | 293,034 |
| Community Relations | | - | 365,075 | 365,075 |
| Legal Permitting | | - | 186,134 | 186,134 |
| Permitting | | - | 395,784 | 395,784 |
| Travel | | - | 236,433 | 236,433 |
| Balance, December 31, 2021 | \$ | 1,815,387 | 6,331,902 | 8,147,289 |
| Cash Payment | | 247,516 | - | 247,516 |
| Staking | | 5,301 | - | 5,301 |
| Shares issued | | - | - | - |
| Geology | | - | 173,839 | 173,839 |
| Aviation | | - | 1,023 | 1,023 |
| Land use & Licenses | | - | 294,972 | 294,972 |
| Community Relations | | - | 21,638 | 21,638 |
| Permitting | | - | 116,383 | 116,383 |
| Legal Permitting | | - | 42,452 | 42,452 |
| Travel | | - | 31,906 | 31,906 |
| Balance, September 30, 2022 | \$ | 2,068,204 | 7,014,115 | 9,082,319 |

| Cerro Gordo Property: | | Acquisition Costs | Deferred Exploration | Total |
|------------------------------------|----|----------------------|-------------------------|---------------|
| Balance, December 31, 2020 | \$ | - | - | - |
| Cash Payment | | 62,344 | - | 62,344 |
| Balance, December 31, 2021 | \$ | 62,344 | - | 62,344 |
| Balance, September 30, 2022 | \$ | 62,344 | 62,344 | 62,344 |

| Si2 Gold Project: | | Acquisition Costs | Deferred Exploration | Total |
|--|----|----------------------|-------------------------|----------------|
| Balance, December 31, 2020 & 2021 | \$ | - | - | - |
| Cash Payment | | 62,370 | - | 62,370 |
| Geology | | - | 117,544 | 117,544 |
| Aviation | | - | 1,524 | 1,524 |
| Land Use & Licenses | | - | 3,728 | 3,728 |
| Travel | | - | 23,856 | 23,856 |
| Balance, September 30, 2022 | \$ | 62,370 | 146,652 | 209,022 |

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

| Wels Property: | Acquisition Costs | Deferred Exploration | Total |
|------------------------------------|-------------------|----------------------|-----------|
| Balance, December 31, 2020 | \$ 1,477,557 | 1,415,120 | 2,892,677 |
| Advanced royalty payment | 20,000 | - | 20,000 |
| Geology | - | 21,293 | 21,293 |
| Balance, December 31, 2021 | \$ 1,497,557 | 1,436,413 | 2,933,970 |
| Advance royalty payment | 20,000 | - | 20,000 |
| Geology | - | 112,301 | 112,301 |
| Aviation | - | 76,865 | 76,865 |
| Travel | - | 3,722 | 3,722 |
| Balance, September 30, 2022 | \$ 1,517,557 | 1,629,301 | 3,146,858 |

| Ladue Property: | Acquisition Costs | Deferred Exploration | Total |
|--|-------------------|----------------------|-----------|
| Balance, December 31, 2020 | \$ - | 166,752 | 166,752 |
| Write off mineral property | - | (166,752) | (166,752) |
| Balance, December 31, 2021 & September 30, 2022 | \$ - | - | - |

| Total Exploration and Evaluation: | Acquisition Costs | Deferred Exploration | Total |
|------------------------------------|-------------------|----------------------|------------|
| Balance, December 31, 2021 | \$ 3,375,288 | 7,768,315 | 11,143,603 |
| Balance, September 30, 2022 | \$ 3,710,475 | 8,790,068 | 12,500,543 |

Mojave Project

On July 12, 2019, K2 signed an option agreement to acquire a 100% interest in the Mojave Gold Project ("Mojave Project"), with the option agreement subsequently amended on June 14, 2022.

To earn 100% of the Mojave project, the Company must make staged cash and share payments as listed below:

| | Cash option payments | Common shares issuance |
|-----------------------------------|-----------------------|------------------------|
| July 12, 2019 (Effective date) | US\$ 112,500 paid | 480,000 issued |
| 6-months from the effective date | 112,500 paid | |
| 12-months from the effective date | 125,000 paid | 480,000 issued |
| 18-months from the effective date | 125,000 paid | |
| 24-months from the effective date | 150,000 paid | 480,000 issued |
| 30-months from the effective date | 150,000 paid | |
| August 31, 2023* | 175,000 | 480,000 |
| February 29, 2024* | 175,000 | |
| August 31, 2024* | 275,000 | 480,000 |
| Total | US\$ 1,400,000 | 2,400,000 |

* On June 14, 2022 the option terms were amended to adjust the final three payment dates from 36, 42, and 48 months from the Effective date, to the revised dates shown in the table.

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

In addition, following the exercise of its option, K2 has agreed to make an annual pre-production payment of US\$275,000 per year beginning on August 31, 2025, and continuing annually until the achievement of commercial production, and to grant a 3% net smelter returns royalty with respect to all mineral produced from the Mojave Project, subject to a minimum annual royalty payment following commercial production of US\$300,000. The royalty will be subject to certain buy-down rights in K2's favour. K2 may terminate the Agreement at any time during the option period.

Cerro Gordo Project

On August 11, 2021 the Company announced that it had signed an option agreement (the "Agreement") to acquire a 100% interest in the Cerro Gordo Gold Project or "Cerro Gordo Project", located adjacent to the Company's Mojave Project in Inyo County, California. The option agreement was subsequently amended, with an effective date of May 27, 2022.

To earn 100% of the Cerro Gordo project as per the May 27, 2022 Amendment Agreement the Company must make staged cash payments as listed below:

| | | Cash option payments | | Work commitment |
|--|-------------|----------------------------|-------------|--------------------|
| July 30 2021 (Effective date) | US\$ | 10,000 | (paid) | - |
| 60 days from the effective date (Closing date) | | 40,000 | (paid) | - |
| 18-months from the effective date | | 25,000 | | - |
| 24-months from the effective date | | 75,000 | US\$ | 25,000 |
| 36-months from the effective date | | 75,000 | | 25,000 |
| 48-months from the effective date | | 75,000 | | 25,000 |
| 60-months from the effective date | | 75,000 | | 25,000 |
| 72-months from the effective date | | 250,000 | | |
| Total | US\$ | 625,000 | US\$ | 100,000 |

*On May 27, 2022 the original terms of the option were amended to extend all remaining payment dates by 12 months to those currently reflected in the table above.

In addition, a bonus payment of US\$500,000 is payable following the completion of a Bankable Feasibility Study.

Commencing in the year following the second anniversary of the Closing date and continuing for four years thereafter, the Company has agreed to expend a minimum of US\$25,000 annually on exploration, development, and mining work on the Cerro Gordo claims, for an aggregate amount of at least US\$100,000 over the four-year period. In addition, K2 has granted the vendor a 3% net smelter returns royalty ("NSR") with respect to all mineral produced from the Cerro Gordo Project. The Company can repurchase half of the NSR for US\$1,000,000.

The Company may terminate the Agreement at any time during the option period.

Si2 Gold Project

On January 19, 2022 the Company announced that it has signed an option agreement (the "Agreement") with Orogen Royalties Inc. ("Orogen"), to earn a 100% interest, subject to a 2% NSR, in Orogen's Si2 gold project, formerly known as the Elba project, in Nevada, USA (the "Si2 Gold Project" or "Si2").

To earn 100% of the Si2 project the Company must make staged cash payments and incur exploration expenditures as listed below:

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

| | | Cash | | Work | Commitment |
|--------------------------------------|-------------|-----------|------------------|--------------|--------------------|
| | | | | (Cumulative) | |
| Signing Date (January 18, 2022) Paid | US\$ | \$ | 50,000 | \$ | |
| 12 months from Signing Date | | \$ | 100,000 | \$ | 150,000 |
| 24 months from Signing Date | | \$ | 100,000 | \$ | 650,000 |
| 36 months from Signing Date | | \$ | 250,000 | \$ | 1,250,000 |
| 48 months from Signing Date | | \$ | 500,000 | \$ | 1,750,000 |
| 60 months from Signing Date | | \$ | 1,500,000 | \$ | 2,500,000 |
| Total | US\$ | \$ | 2,500,000 | \$ | \$2,500,000 |

Orogen will retain a 2% NSR royalty once the Company has exercised the option. The Company has agreed to make \$50,000 annual payments, commencing on the first anniversary of the exercise of the option.

Wels Property

The Company signed a definitive option agreement with Go Metals Corp. "Go Metals" (formerly "Go Cobalt Mining Corp.") on August 11, 2016, subsequently amended October 21, 2016 option, to acquire a 90% joint venture interest (subject an existing 3% net smelter return) in certain mineral property interests located in the Yukon Territory, known as the "Wels Property". To earn its 90% interest, the Company made cash payments aggregating \$350,000 staged over 24 months and issued 3,000,000 common shares staged over a 30-month period as follows:

| | | Cash option payments | | Common shares issuance | |
|--|-----------|----------------------|--------|------------------------|----------|
| Within 5 days after date of October 16, 2016 | \$ | 50,000 | (paid) | 500,000 | (issued) |
| On or before September 30, 2016 | | 100,000 | (paid) | - | |
| On or before February 11, 2017 | | - | | 500,000 | (issued) |
| On or before August 11, 2017 | | 100,000 | (paid) | 500,000 | (issued) |
| On or before February 11, 2018 | | - | | 500,000 | (issued) |
| On or before August 11, 2018 | | 50,000 | (paid) | 500,000 | (issued) |
| On or before November 11, 2018 | | 50,000 | (paid) | - | |
| On or before February 11, 2019 | | - | | 500,000 | (issued) |
| Total | \$ | 350,000 | | 3,000,000 | * |

* Upon completion of the payments and share issuances, the Company and Go Metals will proceed under the terms of a joint venture agreement (the "Joint Venture"). Under the Joint Venture, the Company will fund the project fully through completion of a preliminary economic assessment, following which project expenditures will be funded on a 90/10 proportionate basis between the Company and Go Metals, respectively, with the Company acting as project manager and holding voting control of the Joint Venture project committee. If, at any time, either party's Joint Venture interest is diluted to less than 1% that diluted party's interest will be cancelled, and the Joint Venture will terminate.

The Wels property is subject to 3% net smelter return ("NSR") governed by a 2011 agreement between Go Metals and two arm's length holders. The royalty agreement provides that 2% of the 3% NSR may be purchased from the royalty holders for cash payment of \$1,500,000. Pursuant to the Option Agreement, the Company will pay the \$20,000 annual advance royalty due under the 2011 agreement. Pursuant to the option agreement a \$20,000 annual advance royalty was paid in 2022 (2021- \$20,000).

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

4. Exploration and Evaluation Assets (continued)

Ladue Property

There was no activity on the property in the 2020 or 2021 year. The Company no longer holds the claims to this property and during the year ended December 31, 2021 wrote the property down to a value of \$Nil.

5. Share Capital

a) Authorized Share Capital

At September 30, 2022 and 2021, the authorized share capital comprised an unlimited number of common shares without par value.

b) Issued Share Capital

Transactions for the nine months ended September 30, 2022

There were no shares issued during the nine months ended September 30, 2022.

Transactions for the year ended December 31, 2021

The Company granted the three GDR property vendors 50,000 shares each on January 18, 2021, for a total of 150,000 common shares with a grant date fair value of \$106,500, this amount was included as an obligation to issue shares at December 31, 2020 (Note 5).

On July 6, 2021, the Company issued 480,000 common shares with a fair value of \$168,000 pursuant to the Mojave option agreement (Note 5).

c) Warrants

The warrants activity are summarized below:

| Details of outstanding warrants are as follows: | Number of Warrants | Weighted Average Exercise Price |
|---|--------------------|---------------------------------|
| Outstanding warrants, December 31, 2020 | 6,250,000 | \$ 0.75 |
| Outstanding warrants, December 31, 2021 | 6,250,000 | \$ 0.75 |
| Outstanding warrants, September 30, 2022 | 6,250,000 | \$ 0.75 |

At September 30, 2022, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

| Expiry Date | Weighted Average Exercise Price | Number of Warrants | Weighted Remaining Contractual Life (in Years) |
|--|---------------------------------|--------------------|--|
| December 30, 2022 | \$0.75 | 6,250,000 | 0.25 |
| Weighted average exercise price and remaining contractual life | \$0.75 | 6,250,000 | 0.25 |

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

5. Share Capital (continued)

d) Stock Options

Under the Company's stock option plan, the board of directors may grant options for the purchase of up to 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan vest over time at the discretion of the board of directors and expire no later than ten years from the date of issuance. Exercise

prices on options granted under the plan cannot be lower than the market price of one common share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by the Exchange.

During the period ended June 30, 2022, the Company granted a total of 2,850,000 stock options exercisable at \$0.15 per share for a period of five years from the date of grant and will vest 25% on the date of grant and thereafter 25% every three months until fully vested.

During the year ended December 31, 2021 the company granted a total of 1,380,000 stock options exercisable at \$0.32 per share for a period of five years from the date of grant and will vest 25% on the date of grant and thereafter 25% every three months until fully vested.

The changes in stock options issued are as follows:

| | Number of stock options | Weighted Average Exercise Price |
|--------------------------------|----------------------------|------------------------------------|
| Outstanding, December 31, 2020 | 4,863,565 | \$0.36 |
| Granted | 1,380,000 | \$0.32 |
| Outstanding December 31, 2021 | 6,243,565 | \$0.35 |
| Granted | 2,850,000 | \$0.15 |
| Expired | (985,000) | \$0.30 |
| Outstanding September 30, 2022 | 8,108,565 | \$0.29 |

Share-based compensation relating to options vested during the nine months ended September 30, 2022 using the Black-Scholes option pricing model was \$259,996 (2021: \$169,902), which was recorded as reserves on the statements of financial position and as share-based compensation expense on the statement of loss and comprehensive loss.

The estimated grant date fair value of the options granted during 2021 & 2022 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | December 31, 2021 Stock Options | September 30, 2022 Stock Options |
|----------------------------------|------------------------------------|-------------------------------------|
| Number of options granted | 1,380,000 | 2,850,000 |
| Risk-free interest rate | 0.94% | 2.75% |
| Expected annual volatility | 113% | 103% |
| Expected life | 5 years | 5 years |
| Expected dividend yield | 0% | 0% |
| Grant date fair value per option | \$0.25 | \$0.11 |
| Share price at grant date | \$0.31 | \$0.14 |

As at September 30, 2022, the Company had outstanding options enabling the holders to acquire common shares as follows:

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

5. Share Capital (continued)

d) Stock Options (continued)

| Expiry Date | Options outstanding | Options exercisable | Exercise price | Weighted Remaining Contractual Life (in Years) |
|--------------------|---------------------|---------------------|----------------|--|
| December 30, 2022 | 728,565 | 728,565 | \$0.56 | 0.25 |
| June 3, 2024 | 150,000 | 150,000 | \$0.22 | 1.68 |
| October 30, 2024 | 2,200,000 | 2,200,000 | \$0.27 | 2.08 |
| February 20, 2025 | 200,000 | 200,000 | \$0.23 | 2.39 |
| July 2, 2025 | 150,000 | 150,000 | \$0.42 | 2.76 |
| September 28, 2025 | 450,000 | 450,000 | \$0.71 | 3.00 |
| May 13, 2026 | 1,380,000 | 1,380,000 | \$0.32 | 3.62 |
| May 13, 2027 | 2,850,000 | 1,425,000 | \$0.15 | 4.63 |
| | 8,108,565 | 6,683,565 | \$0.29 | 3.14 |

6. Financial Instruments

a) Fair values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

- Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash and cash equivalents, amounts receivable and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity. Marketable securities are measured using level one of the fair value hierarchy.

b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and amounts receivable.

Cash and cash equivalents are held with major Canadian financial institutions and amounts receivable primarily consist of GST recoverable are from Government entities. Management is of the view that all amounts are fully collectible.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations and commitments as they become due. The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. Management believes that the Company has sufficient funds to meet its obligations as they become due or will be able to obtain financing as required to meet its obligations and commitments (see also Note 1).

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

6. Financial Instruments (continued)

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and commodity and equity prices 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.

Investments in equity instruments which are classified as fair value through other comprehensive income and are measured at fair value, are listed on public stock exchanges, including TSX-V and OTC-QB.. All equity instruments were sold during the year.

In the normal course of business, the Company enters into transactions for the purchase of supplies and services and acquisition of mineral properties, denominated in a currency other than the functional currency of the Company. As a result, the Company is subject to foreign exchange risk from fluctuations in foreign exchange rates, however Management estimates the risk to be insignificant. The Company has not entered into any derivative or other financial instruments to mitigate this foreign exchange risk.

e) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on profit or loss and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of resources, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

7. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can provide returns and benefits for shareholders and advance the exploration of its mineral properties.

The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, comprising share capital and reserves, net of accumulated deficit.

The Company depends on external financing to fund its activities and may issue new equity instruments to maintain its capital structure. The Company manages its capital structure through the preparation of operating budgets, which are approved by the Board of Directors.

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2022. The Company is not subject to any externally imposed capital requirements.

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

8. CEBA loan

In June 2020, the Company secured a \$40,000 interest-free operating line of credit after applying for the government-sponsored Canada Emergency Business Account ("CEBA") under the Government of Canada COVID-19 relief program.

Terms of the CEBA agreement:

- i. The CEBA funds are intended for non-deferrable operating expenses, including but not limited to payroll, rent and insurance,
- ii. If there is a balance outstanding after December 31, 2020, the remaining outstanding amount will be converted into a 3-year interest-free term loan effective January 1st, 2021,
- iii. If \$30,000 is repaid by December 31, 2023, \$10,000 of the operating line will be forgiven,
- iv. On December 31, 2023, the Company may choose to exercise an option to extend the term loan for another 2 years at the rate of 5% per annum on any balance remaining.

The balance at September 30, 2022 was \$40,000 (2021: \$40,000).

9. Related Parties

Key management compensation

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits. Total key management compensation are as follows:

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|-----------------------------------|---|---|
| Exploration and evaluation assets | \$ 85,432 | \$ 326,809 |
| Personnel | 226,790 | 272,299 |
| Share-based compensation | 173,969 | 121,273 |
| Total | \$ 486,191 | \$ 720,382 |

Related party transactions and balances not disclosed elsewhere in these consolidated financial statements are as follows:

| | Nine months ended September 30, 2022 | Nine months ended September 30, 2021 |
|------------------------|---|---|
| Office rent * | \$ 34,358 | \$ 32,434 |
| Marketing and design * | 5,250 | 15,750 |
| Total | \$ 39,608 | \$ 48,184 |

(*) Cost recovery payments made to a company related to key management.

The balance payable to related parties at September 30, 2022 was \$Nil (December 31, 2021 - \$12,441). These payables are generally unsecured, non-interest bearing and are expected to be repaid under normal trade terms.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

K2 Gold Corporation

(An Exploration Stage Company)

Notes to the Condensed Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2022 and 2021

(Amounts are expressed in Canadian Dollars)

10. Commitments

a) Lease

The Company entered into a lease agreement with a company related to key management to rent an office space commencing May 1, 2021 to April 29, 2024 for \$3,817.50 per month. In addition to the monthly rental payments, the Company is charged for the applicable GST costs.

The future rental payments are required as follows:

2022 \$45,810

2023 \$45,810

2024 \$15,270

11. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources.