



Brigadier Gold Limited

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2022 AND 2021**

**(Expressed in Canadian Dollars)
(Unaudited)**

**NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim consolidated financial statements of Brigadier Gold Limited. (the "Company") for the nine months ended September 30, 2022, have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

BRIGADIER GOLD LIMITED.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
(Expressed in Canadian Dollars)

	SEPTEMBER 30, 2022 (unaudited)	DECEMBER 31, 2021
ASSETS		
Current	\$	\$
Cash	648,856	948,569
Restricted cash (Note 3)	28,750	28,750
Receivables	14,124	12,874
Prepaid expenses	4,517	11,918
Convertible note receivable	1	1
	696,248	1,002,112
Equipment (Note 4)	-	17,096
Total Assets	696,248	1,019,208
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Notes 8)	401,032	228,575
Total Liabilities	401,032	228,575
SHAREHOLDERS' EQUITY		
Share Capital (Notes 6 and 7)	15,792,012	15,787,012
Warrant Reserve (Note 6)	235,493	235,493
Contributed Surplus (Note 7)	8,312,416	8,312,416
Deficit	(24,044,705)	(23,544,288)
Total Equity	295,216	790,633
Total Liabilities and Shareholders' Equity	696,248	1,019,208

Nature of operations and Going Concern (Note 1)
Commitments (Note 12)

The financial statements were approved and authorized for issue by the Board of Directors on November 28, 2022. They were signed on the Company's behalf by:

"Robert Birmingham"

Director

"Garry Clark"

Director

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

BRIGADIER GOLD LIMITED.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS
AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
(Unaudited)

	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	\$	\$	\$	\$
Consulting (Note 8)	71,635	66,023	220,980	159,395
Exploration and evaluation expenses (Note 5)	-	50,822	123,621	1,011,421
Foreign exchange loss (gain)	30,153	317	33,213	9,781
General and administration	14,206	24,072	35,255	94,580
Investor relations filing and transfer fees	2,086	2,665	10,473	21,586
Management fees (Note 8)	19,400	19,378	57,259	113,837
Marketing	-	47,034	(4,314)	592,010
Professional fees (Note 8)	9,397	3,857	11,897	47,471
Share-based compensation (Notes 7 and 8)	-	157,262	-	1,117,761
	(146,877)	(371,430)	(488,384)	(3,167,842)
Change in fair value of investments	-	-	-	(5,550)
Gain on sale of investment	-	-	-	5,742
Loss on disposal of EE asset	-	-	(12,152)	-
Interest income	-	-	119	-
Loss and Comprehensive Loss for the Period	(146,877)	(371,430)	(500,417)	(3,167,650)

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

BRIGADIER GOLD LIMITED.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	NINE MONTHS ENDED	
	SEPTEMBER 30	
	2022	2021
Cash Provided By (Used In):		
Operating Activities	\$	\$
Loss for the period	(500,417)	(3,167,650)
Items not affecting cash		
Change in fair value of investments	-	5,550
Depreciation of exploration equipment	4,944	8,091
Gain on sale of investment	-	(5,742)
Loss on disposal of EE asset	12,152	-
Share-based compensation	-	1,117,761
Shares issued pursuant to marketing agreement	-	100,000
Shares issued for EE asset	5,000	45,375
Net changes in non-cash operating working capital items:		
Receivable	(1,250)	-
Prepaid expenses and receivables	7,401	73,544
Exploration advances	-	(248,706)
Accounts payable and accrued liabilities	172,457	12,790
	<u>(299,713)</u>	<u>(2,058,987)</u>
Investing Activities		
Proceeds from sale of investment	-	22,242
	-	22,242
Financing Activities		
Proceeds from issuance of units, net of issue costs	-	951,960
Proceeds from exercise of warrants	-	776,000
	-	1,727,960
Change In Cash	(299,713)	(308,785)
Cash, Beginning of the period	948,569	1,373,008
Cash, End of the period	648,856	1,064,223
Non-cash transactions		
Transfer to share capital on exercise of share purchase warrants	-	81,872

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

BRIGADIER GOLD LIMITED.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in Canadian Dollars)
(Unaudited)

	SHARE CAPITAL		WARRANT RESERVE	CONTRIBUTED SURPLUS	DEFICIT	TOTAL EQUITY
	SHARES	AMOUNT				
Balance January 1, 2021	63,900,148	14,076,105	1,454,036	5,876,253	(19,830,211)	1,576,183
Issuance of common shares in private placement	5,000,000	1,000,000	-	-	-	1,000,000
Share issuance costs	-	(70,940)	22,900	-	-	(48,040)
Fair value of warrants issued in private placement	-	(357,800)	357,800	-	-	-
Issuance of common shares in settlement of marketing agreement	454,545	100,000	-	-	-	100,000
Issuance of common shares for exploration and evaluation asset	475,000	45,375	-	-	-	45,375
Issuance of common shares upon exercise of share purchase warrants	7,760,000	776,000	-	-	-	776,000
Reclassification of fair value of warrants exercised	-	81,872	(81,872)	-	-	-
Share based compensation arising on stock option grants	-	-	-	692,214	-	692,214
Share based compensation arising on grant of restricted share units	-	-	-	425,547	-	425,547
Loss for the period	-	-	-	-	(3,167,650)	(3,167,650)
Balance, September 30, 2021	77,589,693	15,650,612	1,752,864	6,994,014	(22,997,861)	1,399,629
Balance January 1, 2022	77,589,693	15,787,012	235,493	8,312,416	(23,544,288)	790,633
Issuances of shares for Killala option payment	200,000	5,000	-	-	-	5,000
Loss for the period	-	-	-	-	(500,417)	(500,417)
Balance, September 30, 2022	77,789,693	15,792,012	235,493	8,312,416	(24,044,705)	295,216

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

BRIGADIER GOLD LIMITED.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in Canadian Dollars)
(Unaudited)

1. Nature of Operations and Going Concern

Brigadier Gold Limited (the “Company”) was incorporated under the Corporations Act (Ontario) and was continued into British Columbia under the Business Corporations Act (British Columbia) on June 19, 2020. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol BRG. The address of the Company’s registered office is 300 Bellevue Centre, 235 – 15th Street, West Vancouver, BC, V7T 2X1.

These condensed interim consolidated financial statements have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a “going concern”, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

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.

The Company has reported successive operating losses and has limited capital resources. The Company will require additional funding to continue operations for the next 12 months. The protracted effects of COVID-19, successive operating losses, together with the challenges of securing requisite funding have resulted in material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company’s annual consolidated financial statements for the year ended December 31, 2021.

(b) Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as fair value through profit or loss which are measured at fair value.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1848246 Ontario Inc. (formerly known as 1534185 Alberta Inc.), a Canadian corporation and Incahusai Exploraciones S.A., a company incorporated in Mexico. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies

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2. Summary of Significant Accounting Policies (continued)

(b) Basis of presentation (continued)

of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances, transactions, revenues, and expenses have been eliminated.

(c) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled, or expires.

Financial Instruments - classification and measurement

Financial assets are classified and measured based on these categories: fair value through profit or loss ("FVPL"); fair value through other comprehensive income ("FVOCI"); or amortized cost. Financial liabilities are classified and measured based on two categories: FVPL or amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Financial assets and liabilities classified as FVPL are measured at fair value with changes in fair value recognized in profit or loss. Financial assets designated as FVOCI are measured at fair value with changes in fair value recognized in other comprehensive income with such changes never being reclassified to profit or loss. Financial assets and liabilities classified as amortized cost are initially measured at fair value, net of any transaction costs incurred and are measured subsequently using the effective interest method. The Company's financial instruments consists of the following:

<i>Financial assets and liabilities</i>	<i>Classification</i>
Cash	Amortized cost
Restricted cash	Amortized cost
Receivables	Amortized cost
Convertible note receivable	Amortized cost
Investments	FVPL
Accounts payable and accrued liabilities	Amortized cost

Financial instruments recorded at fair value in the consolidated statements of financial position are classified according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements.

BRIGADIER GOLD LIMITED.
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2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

The three levels of fair value hierarchy are as follows:

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

(d) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include option payments, the costs of licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination or an asset acquisition. Exploration and evaluation expenditures are expensed as incurred.

(e) Equipment

Exploration equipment is recorded at cost and depreciated over its estimated useful life at the following rate:
- three years straight line.

The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

(f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use.

(g) Translation of foreign currencies

The Company's presentation currency is the Canadian dollar. The Company considers the functional currency of its Canadian operations and its subsidiaries to be the Canadian dollar. Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At the end of each reporting period, monetary assets and liabilities are translated using the year end foreign exchange rate at that date. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

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2. Summary of Significant Accounting Policies (Continued)

(h) Provisions

A provision is recognized in the statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Company has recorded no provisions for the years presented.

(i) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

The Company recognizes deferred tax on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in computing taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

(j) Loss per common share

Basic loss per share is computed by dividing the loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed by dividing the net loss by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive.

(k) Share capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value method. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

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2. Summary of Significant Accounting Policies (Continued)

(l) Warrant Reserve

The fair value of warrants is determined upon their issuance either as part of unit private placements or in settlement of share issuance costs and finders' fees, using the Black-Scholes option pricing model. Units issued in a private placement are allocated using the relative fair value method. All such warrants are classified in a warrant reserve within equity. If the warrants are converted, the value attributable to the warrants is transferred to common share capital. Upon expiry, the amounts recorded for expired warrants is transferred to contributed surplus from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

(m) Share-based payments

The Company operates an employee stock option plan and a restricted share unit award plan. The plans allow Company employees, directors, and consultants to acquire shares of the Company and are equity award plans. The fair value of equity awards granted is recognized as an employee or consultant expense with a corresponding increase in equity.

An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors and officers of the Company.

The fair value of the equity awards granted are measured at grant date and each tranche is recognized on a graded basis over the period during which the awards vest. The fair value of the equity award is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the equity award was granted. At the end of each reporting period, the amount recognized as an expense for unvested equity awards is adjusted to reflect the actual number of equity awards that are expected to vest.

Compensation expense on equity awards granted to non-employees is measured at the earlier of the completion of performance and the date the awards are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes option pricing model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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2. Summary of Significant Accounting Policies (Continued)

(n) Significant accounting judgments and estimates

The preparation of these 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 amounts of expenses during the reporting period. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

The following are items involving key judgment and estimates:

Significant judgments

Going concern

These financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, deferral of commitments, negotiation of supplier terms and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and to satisfy their obligations as they become due.

Income taxes

Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense, and indirect taxes. The Company is subject to assessments by tax authorities who may interpret tax law differently. These factors may affect the final amount or the timing of tax payments.

Significant estimates

Useful life of equipment

Depreciation of equipment is charged so as to write down the value of those assets to their residual value over their respective estimated useful lives. Management is required to assess the useful economic lives and residual values of the assets such that depreciation is charged on a systematic basis to the current carrying amount. The useful lives are estimated having regard to such factors such as asset maintenance, rate of technical and commercial obsolescence, and asset usage. The useful lives of key assets are reviewed annually.

Impairment of long-lived assets

The Company reviews the carrying values of its long-lived assets on a periodic basis against their fair values on factors such as current market value, future asset utilization and business climate. The Company

BRIGADIER GOLD LIMITED.
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2. Summary of Significant Accounting Policies (Continued)

Significant estimates (continued)

records an impairment loss in the period when it is determined that the carrying amount of the assets may not be recoverable or is below the net realizable value.

Share-based payments

The Company uses the Black-Scholes valuation model to determine the fair value of options and warrants granted to employees and non-employees under share-based payment arrangements, where appropriate. In instances where equity awards have performance or market conditions, the Company utilizes the Monte Carlo valuation model to simulate the various outcomes that affect the value of the award. In estimating fair value, management is required to make certain assumptions and estimates such as the expected term of the instrument, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date, by reference to the underlying terms of the instrument, and the Company's experience with similar instruments. Changes in assumptions used to estimate fair value could result in materially different results.

(o) Accounting Standards issued but not yet applied

At the date of approval of these unaudited condensed interim consolidated financial statements a number of standards and interpretations have been issued, which are not yet effective. The Company considers these new standards and interpretations are either not applicable to the Company's operations or are not expected to have a material impact on the Company's unaudited condensed interim consolidated financial statements.

3. Restricted Cash

Restricted cash represents collateral in respect of the corporate credit card facility with a major financial institution.

4. Equipment

	SEPTEMBER 30	DECEMBER 31
	2022	2021
Cost	\$	\$
Balance, January 1	32,381	32,381
Disposal	(32,381)	-
Closing balance	-	32,381
Depreciation		
Balance, January 1	15,285	4,497
Charge for the period	4,944	10,788
Disposal	(20,229)	-
Closing balance	-	15,285
Net Book Value		
Closing balance	-	17,096

*Depreciation expense is included in exploration and evaluation expenses (Note 5).

BRIGADIER GOLD LIMITED.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Expressed in Canadian Dollars)
(Unaudited)

5. Mineral Property Expenditures

	SEPTEMBER 30 2022	DECEMBER 31 2021	DECEMBER 31 2020
	\$	\$	\$
Killala Lake South Diamond Property, Canada	20,000	73,198	51,865
Picachos Gold-Silver Property, Mexico	103,621	1,380,694	1,269,113
	123,621	1,453,892	1,320,978

Killala Lake South Diamond Property, Canada

On May 11, 2020, the Company entered into an option agreement to purchase a 100% interest in certain mineral claims known as located in Thunder Bay mining District, Ontario, known as the Killala Lake South Diamond Property.

The option payments consist of cash payments of \$110,000 and the issuance of 1,600,000 common shares as follows:

(i) Cash Payments

- a. \$15,000 within 5 days of the effective date of the agreement (May 11, 2020) (paid);
- b. \$15,000 on or before the first (paid), second (paid) and third anniversaries from May 11, 2020; and
- c. \$50,000 on or before the fourth anniversary of receipt of regulatory approval.

(ii) Share Consideration

- a. The issuance of 500,000 common shares within 10 business days of receipt of TSX-V approval of the agreement (issued, with a value of \$25,000);
- b. The issuance of 200,000 common shares on or before the first (issued, with value of \$22,000), second (issued, with a value of \$5,000) and third anniversaries of receipt of regulatory approval.
- c. The issuance of 500,000 common shares on or before the fourth anniversary of receipt of regulatory approval.

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5. Mineral Property Interests (continued)

Killala Lake South Diamond Property, Canada (continued)

The Company also agreed to issue additional common shares upon achieving certain milestones as follows:

- d. The issuance of 1,000,000 common shares in the event a NI43-101 compliant report calculation commissioned for the purchaser identifies a resource exceeding 3 million carats;
- e. The issuance of 1,000,000 common shares upon completion of a positive bankable feasibility study commissioned by the purchaser;
- f. The issuance of 500,000 common shares for each kimberlite or lamproite pipe drilled within the area of interest which produces more than 10 commercial sized diamonds.

(iii) Other contingent consideration

Further, if an ore deposit within the optioned property is sold or optioned to a 3rd party the purchaser shall make a cash payment to the optionor equal to 5% of the net sale price, or issue common shares with an equivalent value. If paid in shares the deemed value of each share shall be the greater of:

- a. The volume weighted average of the price per share as reported on the TSX-V for the prior 10 consecutive trading days;
- b. The minimum price per share permissible pursuant to applicable securities law and requirements of the TSX-V.

The agreement is subject to a 3% Gross overriding Royalty (“GOR”) with respect to diamonds extracted from the property and a 2% Net Smelter Royalty (“NSR”) in respect of any non-diamond minerals discovered on the property. The Company has the right to purchase 50% of the GOR and NSR at any time for cash consideration of \$2,000,000 and \$1,000,000 respectively.

As of September 30, 2022, accumulated costs expensed on the property were as follows:

	NINE MONTHS ENDED September 30, 2022	Year ended December 31, 2021	Year ended December 31, 2020	Total
Acquisition costs	\$	\$	\$	\$
Option Payments	20,000	37,000	40,000	97,000
Exploration expenditures				
Reports and mapping	-	36,198	11,865	48,063
	<u>20,000</u>	<u>73,198</u>	<u>51,865</u>	<u>145,063</u>

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5. Mineral Property Interests (continued)

Picachos Gold-Silver Property, Mexico

On August 4, 2020, the Company entered into an option agreement to acquire a 100% interest in the Picachos Gold-Silver Property located in Sinaloa, Mexico.

The option payments consist of cash payments of US\$275,000, the issuance of 4,000,000 common shares and completing US\$3,850,000 of exploration expenditures as follows:

1. Cash Payments

- a. US \$35,000 upon execution of the LOI (Paid Cdn\$47,685)
- b. US \$25,000 on or before August 4, 2022;
- c. US \$40,000 on or before August 4, 2023;
- d. US \$75,000 on or before August 4, 2024;
- e. US \$100,000 on or before August 4, 2025.

2. Share Consideration

The issuance of common shares as follows:

- a. 250,000 common shares on or before August 4, 2021 (issued with a value of \$21,250);
- b. 500,000 common shares on or before August 4, 2022;
- c. 750,000 common shares on or before August 4, 2023;
- d. 1,000,000 common shares on or before August 4, 2024;
- e. 1,500,000 common shares on or before August 4, 2025.

3. Exploration expenditures

- a. US \$100,000 on or before August 4, 2021 (incurred);
- b. US \$500,000 on or before August 4, 2022;
- c. US \$750,000 on or before August 4, 2023;
- d. US \$1,000,000 on or before August 4, 2024;
- e. US \$1,500,000 on or before August 4, 2025.

The Company also agreed to make payments to the optionor for Picachos development milestones as follows:

- a. 1,000,000 common shares of the Company upon delineating a mineral resource estimate containing a minimum of 350,000 ounces of gold in the inferred category (based on the then current Canadian Institute of Mining definitions);
- b. US\$725,000 and 1,000,000 common shares of the Company upon completion of a feasibility study recommending the construction of a mine on the Property; and
- c. US\$2,000,000 upon commencement of commercial production.

The Company may, at its option, issue common shares in lieu of one half of the cash payments to be made pursuant to each of ii) and iii) above.

The agreement is subject to a 2% NSR on production from the property.

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5. Mineral Property Interests (continued)

Picachos Gold-Silver Property, Mexico (continued)

The Company has further entered into a finder's fee agreement with respect to the above agreement and shall compensate the finder with up to 1,084,401 common shares over the term of the option agreement as follows:

- a. 15,800 common shares on regulatory approval of the Agreement (issued with a value of \$5,846);
- b. 25,000 common shares on or before August 4, 2021 (issued with a value of \$2,125);
- c. 60,765 common shares on or before August 4, 2022;
- d. 69,793 common shares on or before August 4, 2023;
- e. 100,393 common shares on or before August 4, 2024;
- f. 97,572 common shares on or before August 4, 2025;
- g. 50,000 common shares upon receiving a resource estimate containing a minimum of 350,000 ounces of gold;
- h. 213,645 upon completion of a feasibility study;
- i. 451,433 upon commencement of commercial production.

Payment of the finder's fee is dependent upon the Company keeping the option agreement in good standing, and other milestone events.

As of September 30, 2022, accumulated costs expensed on the property were as follows:

	NINE MONTHS ENDED September 30, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Total
	\$	\$	\$	\$
Acquisition costs				
Option payments	-	21,250	47,685	68,935
Finders fees	-	2,125	5,846	7,971
	-	23,375	53,531	76,906
Exploration expenditures				
Regulatory, property access, permits and fees	48,327	97,383	52,773	198,483
Drilling	-	384,947	642,635	1,027,582
Depreciation of exploration assets	4,945	10,788	4,497	20,230
Reports and mapping	-	49,246	8,822	58,068
Geologist and consulting fees	22,033	159,147	78,042	259,222
Labour	15,405	148,205	95,461	259,071
Camp, supplies and office expenses	7,540	99,081	94,969	201,590
Assays	2,574	219,961	93,839	316,374
Fuel	2,797	42,267	23,124	68,188
Equipment rental	-	146,294	121,420	267,714
	103,621	1,357,319	1,215,582	2,676,522
	103,621	1,380,694	1,269,113	2,753,428

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5. Mineral Property Interests (continued)

Picachos Gold-Silver Property, Mexico (continued)

As at September 30, 2022 and December 31, 2021, the Company had made no exploration advances to the operator. In May 2022, management decided to no longer explore the Picachos Gold-Silver property. The Company will not continue to make further option payments.

6. Share Capital

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

During the nine months ended September 30, 2022, the Company issued 200,000 common shares valued at \$5,000 to mineral property option agreements for its Killala South Diamond Property in Canada (Note 5).

During the year ended December 31, 2021, the Company:

- (i) Completed a private placement of 5,000,000 units at \$0.20 per unit for gross proceeds of \$1,000,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant can be exercised into one common share at an exercise price of \$0.30 until March 16, 2022.

The share purchase warrants have been valued at \$223,521 using the Black-Scholes option pricing model with the following assumptions, Exercise price: \$0.30; Volatility: 107%; Risk free rate: 0.21%; Term: 1 year; annual rate of dividends: \$Nil.

In connection with the private placement the Company also incurred share issuance costs aggregating \$60,012 consisting of cash finders' fees of \$42,840, the issuance of 214,200 finders' warrants with a value of \$11,972 and cash filing fees of \$5,200. Each finders' warrant entitles the holder to purchase one Common share at \$0.30 until March 16, 2022.

The finders' warrants have been valued at \$11,972 using the Black-Scholes option pricing model with the following assumptions, Exercise price: \$0.30; Volatility: 107%; Risk free rate: 0.21%; Term: 1 year; annual rate of dividends: \$Nil.

- (ii) Issued 454,545 common shares with a value of \$88,636 in settlement of \$100,000 debt relating to a contract for corporate marketing services.
- (iii) Issued 7,760,000 common shares upon exercise of 7,760,000 share purchase warrants for proceeds of \$776,000. As a result of the exercise the Company also reallocated \$84,429 of the warrant reserve to share capital.
- (iv) Issued 475,000 common shares valued at \$45,375 pursuant to mineral property option agreements for its Killala Lake South Diamond Property in Canada and Picachos Gold-Silver Property in Mexico (Note 5).

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6. Share Capital (continued)

c) Share Purchase Warrants

A summary of changes in share purchase warrants for the nine months ended September 30, 2022 and year ended December 31, 2021 is presented below:

	NINE MONTHS ENDED SEPTEMBER 30, 2022		YEAR ENDED DECEMBER 31, 2021	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		\$		\$
Balance, beginning of year	5,000,000	0.30	22,721,538	0.28
Issued	-	-	5,000,000	0.30
Exercised	-	-	(7,760,000)	0.10
Expired	(5,000,000)	0.30	(14,961,538)	0.37
Balance, end of period	-	-	5,000,000	0.30

d) Broker warrants

A summary of changes in broker warrants for the nine months ended September 30, 2022 and year ended December 31, 2021 is presented below:

	NINE MONTHS ENDED SEPTEMBER 30, 2022		YEAR ENDED DECEMBER 31, 2021	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		\$		\$
Balance, beginning of year	214,200	0.30	-	-
Issued	-	-	214,200	0.30
Expired	(214,200)	0.30	-	-
Balance, end of period	-	-	214,200	0.30

7. Share Based Payments

a) Stock Options

The number of shares reserved for issuance under the Company's stock option plan is limited to 10% of the number of shares which are issued and outstanding on the date of a particular grant of options. Under the plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the period of time during which the options may vest, unless otherwise required by applicable securities law, stock exchange and other regulatory requirements, and when they become exercisable, as well as the option exercise price, which shall not be less than the prevailing price permitted by the TSX-V.

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7. Share Based Payments (continued)

a) Stock Options (continued)

The Directors determine the recipients of, and nature and size of, share-based payment awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

A summary of changes in stock for the nine months ended September 30, 2022 and year ended December 31, 2021 is presented below:

	NINE MONTHS ENDED SEPTEMBER 30, 2022		YEAR ENDED DECEMBER 31, 2021	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		\$		\$
Balance, beginning of year	4,950,000	0.33	4,550,000	0.35
Issued	-	-	750,000	0.22
Expired	(4,050,000)	0.35	(350,000)	0.35
Balance, end of period	900,000	0.24	4,950,000	0.33

On June 9, 2021, the Company granted 150,000 stock options exercisable at \$0.30 until June 9, 2026 to the Company providing CFO services. The stock options vested on December 9, 2021.

On March 22, 2021, the Company granted 600,000 stock options exercisable at \$0.20 until March 22, 2024 to certain consultants of the Company. The stock options vested immediately on March 22, 2021.

The stock options issued during the year ended December 31, 2021, have been valued at \$82,580 using the Black-Scholes option pricing model with the following assumptions, Exercise price from \$0.20 to \$0.30; Volatility from 94% to 97%; Risk free rate from 0.50% to 0.89%; Term: 3 to 5 years; annual rate of dividends - \$Nil.

During the year ended December 31, 2020, the Company granted 4,550,000 stock options exercisable at \$0.35 to Directors, Officers, and consultants. The stock options vested nine Months after the grant date.

The stock options issued during the year ended December 31, 2020, were valued at \$1,370,850 using the Black-Scholes option pricing model with the following assumptions, Exercise price - \$0.35; Volatility from 173% to 215%; Risk free rate from 0.203% to 0.235%; Term: 1 and 2 years; annual rate of dividends - \$Nil. During the nine months ended September 30, 2022, the Company recorded \$Nil (2021 - \$692,214) of share-based compensation in respect of the grants.

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7. Share Based Payments (continued)

a) Stock Options (continued)

As at September 30, 2022, the following stock options were outstanding:

WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OUTSTANDING	NUMBER EXERCISABLE	EXPIRY DATE
\$			
0.30	150,000	150,000	June 9, 2026
0.20	600,000	600,000	March 22, 2024
0.35	150,000	150,000	November 23, 2022
0.24	900,000	900,000	

b) Restricted Share Unit Award Plan

On August 26, 2020, the Company adopted a Restricted Share Unit Award Plan ("RSU Plan"), whereby the maximum number of common shares reserved for issuance under the RSU Plan combined with all of the Company's other security-based compensation arrangements including the Company's Stock Option Plan shall not exceed 10% of the Company's outstanding shares.

A summary of changes in Restricted Share Units for the nine months ended September 30, 2022 and year ended December 31, 2021 is presented below:

	NINE MONTHS ENDED SEPTEMBER 30, 2022		YEAR ENDED DECEMBER 31, 2021	
	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
		\$		\$
Balance, beginning of year	1,735,601	0.30	1,335,601	0.35
Issued	-	-	500,000	0.18
Cancelled	-	-	(100,000)	0.35
Balance, end of period	1,735,601	0.30	1,735,601	0.30

On April 1, 2021, the Company granted 500,000 RSU's to an officer of the Company. The RSU's have fully vested and expire on April 1, 2024. The RSU's have been valued at \$90,000 based on the market price of the Company's shares on the grant date.

On September 18, 2020, the Company granted 1,335,601 RSU's to certain consultants, a director, and an officer of the Company. The RSU's have fully vested and expire on September 18, 2023. The RSU's have been valued at \$467,460 based on the market price of the Company's shares on the grant date.

During the nine months ended September 30, 2022, the Company recorded \$Nil (2021 - \$425,547) of share-based compensation in respect of the grants.

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7. Share Based Payments (continued)

b) Restricted Share Units Award Plan (continued)

As at September 30, 2022, the following RSU's were outstanding:

NUMBER OUTSTANDING	NUMBER EXERCISABLE	EXPIRY DATE
500,000	500,000	April 1, 2024
1,235,601	1,235,601	September 18, 2023
1,735,601	1,735,601	

8. Related Party Transactions

Related party transactions reflected in these consolidated financial statements are as follows:

Key management personnel include directors and officers of the Company.

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
	\$	\$	\$	\$
Director fees	24,000	-	72,000	-
Management fees	19,400	49,378	57,259	142,663
Consulting fees	45,000	30,944	137,500	92,995
Admin fees	-	15,000	-	55,085
Professional fees	-	19,400	-	-
Share-based payments	-	128,590	-	827,166
Total payments to related parties for the period	88,400	243,312	266,759	1,117,909

As at September 30, 2022, there were \$222,028 (December 31, 2021 - \$96,910) payable to related parties included in accounts payable and accrued liabilities.

9. Capital Management

The Company manages its capital structure and makes adjustments in light of the changes in its economic environment and the risk characteristics of the Company's assets. The Company defines capital to be the components of shareholders' equity. To effectively manage the Company's capital requirements, the Company has in place planning, budgeting, and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. There were no externally imposed capital requirements to which the Company is subject as at September 30, 2022. There were no changes to the management of capital in the nine months ended September 30, 2022.

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10. Financial Instruments and Risk Management

The carrying values of cash, restricted cash, receivables, convertible note receivable, and accounts payable and accrued liabilities are considered representative of their respective fair values due to their short-term period to maturity.

Investments have been recorded at fair market value, using level one of the fair value hierarchy.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

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 obligations. The Company's maximum exposure to credit risk is the carrying value of cash, restricted cash, and receivables. Substantially all of the Company's cash and restricted cash is held with major financial institutions in Canada and receivables consist of GST refunds from the Canadian government. Management believes the exposure to credit risk with such institutions is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of the business of the Company.

The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 9, in normal circumstances. Further information regarding liquidity risk is set out in note 1. The Company is exposed to liquidity risk.

Interest rate risk

The Company had no significant exposure as at September 30, 2022, to interest rate risk through its financial instruments.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. 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. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

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10. Financial Instruments and Risk Management (continued)

Currency risk

The Company operates in Canada and Mexico and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The operating results and the financial position of the Company are reported in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar. Foreign currency risk is related to the exposure of financial instruments denominated in currencies other than Canadian dollars. As of September 30, 2022, a 10% appreciation (depreciation) in the United States dollar against the Canadian dollar, with all other variables held constant, would not result in any significant impact on the Company's profit or loss for the year.

11. Segmented Information

The Company has one operating segment, being the acquisition of exploration of mineral properties. The Company's accounting policy with respect to exploration and evaluation assets is to expense all costs as incurred.

The Company is conducting exploration activities in Canada and Mexico and accordingly has geographical segments to its operations.

During the nine months ended September 30, 2022, the Company incurred exploration expenditure of \$103,621 (September 30, 2021 – \$582,835) on its Mexican property, and \$Nil (September 30, 2021 - \$15,000) on its Canadian property (Note 5). All other expenses incurred during the nine months ended September 30, 2022 and 2021 were incurred in Canada.

As of September 30, 2022, non-current assets located in Mexico comprised the equipment of \$Nil (December 31, 2021 - \$17,096).

12. Commitments

On October 30, 2020, the Company appointed a new Chief Operating Officer ("COO"). The Company also entered into a Management Services Agreement with 677185 BC Ltd, (the "Consultant"), an entity controlled by the COO. The agreement provides for annual compensation of USD\$90,000, discretionary bonuses, and participation in the equity-based compensation plans adopted by the Company. Remuneration is to be reviewed annually. The agreement also provides for an incentive signing bonus to be paid in common shares of the equivalent to 1% of the outstanding share capital of the company at the effective date of the agreement to be paid to the Consultant or the COO at the discretion of the Consultant.

On October 30, 2020, the Company issued 600,000 common shares with a fair value of \$171,000 in full settlement of the signing bonus.

The agreement may be terminated without cause at any time by the Company, by delivering to the Consultant written notice stipulating the date of termination, and by paying a lump sum settlement in an amount equal to 200% of the effective compensation at the time of termination.