



# WHITEHORSE GOLD CORP.

TSXV: WHG

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

For the fiscal years ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

# Independent Auditor's Report

To the Shareholders and the Board of Directors of  
Whitehorse Gold Corp.

## Opinion

We have audited the consolidated financial statements of Whitehorse Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021, and 2020 and June 30, 2020, and the consolidated statements of (loss) income and comprehensive (loss) income, changes in equity, and cash flows for the year ended December 31, 2021, for the six months ended December 31, 2020, and for the period from incorporation on November 27, 2019 to June 30, 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020 and June 30, 2020, and its financial performance and its cash flows for the year ended December 31, 2021, for the six months ended December 31, 2020, and for the period from incorporation on November 27, 2019 to June 30, 2020 in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty related to Going Concern

We draw attention to Note 2(b) in the financial statements, which indicates that the Company incurred a net loss of \$2,174,315 and used \$1,715,300 cash in its operating activities during the year ended December 31, 2021. As stated in Note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the

other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Jayana Darras.

/s/Deloitte LLP

Chartered Professional Accountants  
Vancouver, British Columbia  
March 24, 2022

# Whitehorse Gold Corp.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	As at		
		December 31, 2021	December 31, 2020	June 30, 2020
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash		\$ 5,149,913	\$ 1,592,505	\$ 419,860
GST receivables		72,602	43,611	1,058
Deposits and prepayments	3	68,793	19,583	-
		<b>5,291,308</b>	<b>1,655,699</b>	<b>420,918</b>
<b>Non-current Assets</b>				
Reclamation deposit		15,075	15,075	15,075
Deposits and prepayments	3	57,182	-	-
Property and equipment	4	777,564	14,822	13,838
Mineral property interests	5	22,186,694	13,406,867	11,820,000
<b>TOTAL ASSETS</b>		<b>\$ 28,327,823</b>	<b>\$ 15,092,463</b>	<b>\$ 12,269,831</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Trade and other payables		\$ 799,724	\$ 170,808	\$ 15,179
Accrued liabilities		86,052	70,350	2,918
Payables due to former parent company		-	-	114,290
Promissory notes due to former parent company		-	-	3,500,000
Current portion of lease obligations	6	26,468	-	-
		<b>912,244</b>	<b>241,158</b>	<b>3,632,387</b>
<b>Non-current Liabilities</b>				
Lease obligations	6	13,234	-	-
<b>Total Liabilities</b>		<b>925,478</b>	<b>241,158</b>	<b>3,632,387</b>
<b>EQUITY</b>				
Share capital	8	20,879,163	6,797,010	-
Reserves	8	700,190	56,988	-
Retained earnings		5,822,992	7,997,307	8,637,444
<b>Total Equity</b>		<b>27,402,345</b>	<b>14,851,305</b>	<b>8,637,444</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 28,327,823</b>	<b>\$ 15,092,463</b>	<b>\$ 12,269,831</b>

Approved on behalf of the Board:

(Signed) Gordon Neal

Director

(Signed) Lorne Waldman

Director

See accompanying notes to the audited consolidated financial statements

# Whitehorse Gold Corp.

## Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2021	Six months ended December 31, 2020	From incorporation on November 27, 2019 to June 30, 2020
<b>Operating expenses</b>				
Salaries and benefits		\$ 1,112,949	\$ 95,303	\$ 98,741
Investor relations		364,656	38,891	697
Filing and continuous listing		122,587	68,054	-
Professional fees		241,799	230,890	9,010
Office and administration		251,791	69,813	29,829
Depreciation		17,116	1,424	46
Share-based compensation	8	409,816	43,773	-
		<b>2,520,714</b>	<b>548,148</b>	<b>138,323</b>
<b>Other income (expenses)</b>				
Impairment reversal of mineral property interests		-	-	11,714,944
Interest expense		(4,217)	(80,766)	(79,754)
Foreign exchange (loss) gain		(13,987)	(11,223)	29
Amortization of flow-through share premium		364,603	-	-
		<b>346,399</b>	<b>(91,989)</b>	<b>11,635,219</b>
<b>Net (loss) income and comprehensive (loss) income for the period</b>		<b>\$ (2,174,315)</b>	<b>\$ (640,137)</b>	<b>\$ 11,496,896</b>
<b>(Loss) income per common share attributable to equity holders of the Company</b>				
<b>Basic and diluted (loss) income per share</b>		<b>\$ (0.04)</b>	<b>\$ (0.03)</b>	<b>\$ 0.89</b>
<b>Weighted average number of common shares - basic and diluted</b>		<b>49,034,834</b>	<b>25,294,749</b>	<b>12,870,371</b>

See accompanying notes to the audited consolidated financial statement

# Whitehorse Gold Corp.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Year ended December 31, 2021	Six months ended December 31, 2020	From incorporation on November 27, 2019 to June 30, 2020
<b>Cash used in</b>				
<b>Operating activities</b>				
Net (loss) income for the period		\$ (2,174,315)	\$ (640,137)	\$ 11,496,896
Interest expense		4,217	80,766	79,754
Depreciation	4	17,116	1,424	46
Impairment reversal on mineral property interests		-	-	(11,714,944)
Share based compensation	8	409,816	43,773	-
Unrealized foreign exchange loss (gain)		13,987	11,223	(29)
Changes in non-cash operating working capital				
GST Receivables		(28,991)	(42,553)	(643)
Deposits and prepayments		(49,210)	(19,583)	-
Accounts payable and accrued liabilities		92,080	128,340	13,375
Payables due to former parent company		-	(34,536)	34,536
<b>Net cash used in operating activities</b>		<b>(1,715,300)</b>	<b>(471,283)</b>	<b>(91,009)</b>
<b>Investing activities</b>				
Mineral property interests				
Capital expenditures		(8,288,095)	(1,478,931)	(851)
Property and equipment				
Additions		(1,004,558)	(2,408)	(13,884)
Proceeds on disposals		2,001	-	-
Cash acquired through share-exchange		-	-	25,575
<b>Net cash (provided by) used in investing activities</b>		<b>(9,290,652)</b>	<b>(1,481,339)</b>	<b>10,840</b>
<b>Financing activities</b>				
Promissory note				
Proceeds		-	-	500,000
Repayments of principal		-	(3,500,000)	-
Payments of interest		-	(160,520)	-
Funds raised from private placement, net of share issuance costs	8	14,564,459	6,797,010	-
Exercise of options		28,876	-	-
Lease obligations				
Repayments of principal	6	(11,771)	-	-
Payment of interests	6	(4,217)	-	-
<b>Net cash provided by financing activities</b>		<b>14,577,347</b>	<b>3,136,490</b>	<b>500,000</b>
<b>Effect of exchange rate changes on cash</b>		<b>(13,987)</b>	<b>(11,223)</b>	<b>29</b>
<b>Increase in cash</b>		<b>3,557,408</b>	<b>1,172,645</b>	<b>419,860</b>
<b>Cash, beginning of the period</b>		<b>1,592,505</b>	<b>419,860</b>	<b>-</b>
<b>Cash, end of the period</b>		<b>\$ 5,149,913</b>	<b>\$ 1,592,505</b>	<b>\$ 419,860</b>

See accompanying notes to the audited consolidated financial statements

# Whitehorse Gold Corp.

## Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars, except for share figures)

	Notes	Share capital		Reserves			Total equity
		Number of shares	Amount	Share-based compensation	Warrant	Retained earning	
Balance, November 27, 2019		1	\$ -	\$ -	\$ -	\$ -	-
Share issuance in exchange for net assets acquired from former parent		20,000,000	-	-	-	(2,859,452)	(2,859,452)
Net income and comprehensive income		-	-	-	-	11,496,896	11,496,896
Balance, June 30, 2020		20,000,001	\$ -	\$ -	\$ -	8,637,444	\$ 8,637,444
Share cancelled for rounding impact upon completion of the Arrangement		(102)	-	-	-	-	-
Shares issuance in 2020 private placement		22,656,698	6,797,010	-	-	-	6,797,010
Share-based compensation		-	-	56,988	-	-	56,988
Net loss and comprehensive loss		-	-	-	-	(640,137)	(640,137)
<b>Balance, December 31, 2020</b>		<b>42,656,597</b>	<b>\$ 6,797,010</b>	<b>\$ 56,988</b>	<b>\$ -</b>	<b>7,997,307</b>	<b>14,851,305</b>
Share-based compensation	8	-	-	496,623	-	-	496,623
Options exercised	8	91,667	47,320	(18,444)	-	-	28,876
Share issuance in 2021 Private Placement, net of share issue costs and flow-through share premium liability	8	9,933,325	14,034,833	-	165,023	-	14,199,856
Net loss and comprehensive loss		-	-	-	-	(2,174,315)	(2,174,315)
<b>Balance, December 31, 2021</b>		<b>52,681,589</b>	<b>\$20,879,163</b>	<b>\$ 535,167</b>	<b>\$ 165,023</b>	<b>5,822,992</b>	<b>27,402,345</b>

See accompanying notes to the audited consolidated financial statements



# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

### 1. CORPORATE INFORMATION

Whitehorse Gold Corp. (the "Company" or "Whitehorse Gold") is a Canadian mining company engaged in exploring and developing mining properties, including its Skukum Gold Project (formerly referred to as Tagish Lake Gold Project) located in the Yukon Territory, Canada (the "Project"). Whitehorse Gold was incorporated under the *Business Corporations Act* (British Columbia) on November 27, 2019, primarily for the purpose of carrying out a spin-out by way of plan of arrangement (the "Arrangement") with New Pacific Metals Corp. ("New Pacific"), which was completed on November 18, 2020.

The head office, registered address and records office of the Company are located at 1066 Hastings Street, Suite 1750, Vancouver, British Columbia, Canada, V6E 3X1. The Company's common shares (each, a "Share" or a "Common Share") commenced trading on the TSX Venture Exchange (the "TSXV") under the symbol "WHG" on November 25, 2020.

Subsequent to end of the reporting period, the Company announced the trading of the Common Shares on the OTCQX Market under the symbol "WHGDF" on March 16, 2022.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *(a) Statement of Compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The policies applied in these consolidated financial statements are based on IFRS in effect as of December 31, 2021. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### *(b) Going Concern Basis*

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. During the year ended December 31, 2021, the Company incurred a loss of \$2,174,315, and used cash of \$1,715,300 in operating activities. Operating losses in relation to exploration activities are expected to continue for the foreseeable future. The Company's ability to continue operations in the normal course of business is dependent on several factors, including the exploration of its mineral property, as well as the ability to secure additional financing through the issuance of additional equity or debt. However, there is no certainty that the Company will be able to raise sufficient funds to conduct further exploration and development of its mineral property. The above conditions, along with other factors, indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

The audited consolidated financial statements of the Company were authorized for issue in accordance with a resolution of the Board of Directors (the "Board") dated on March 23, 2022.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

### *(c) Basis of Consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Whitehorse Gold (Yukon) Corp (formerly named as Tagish Lake Gold Corp). The Company has a single reportable segment and all of its non-current assets are located in Canada.

Subsidiaries are consolidated from the date on which the Company obtains control up to the date of the disposition of control. Control is achieved when the Company has power over the subsidiary, is exposed or has rights to variable returns from its involvement with the subsidiary; and has the ability to use its power to affect its returns.

Balances, transactions, income and expenses between the Company and its subsidiary are eliminated on consolidation.

### *(d) Business Combination under Common Control*

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. The consideration for the acquisition is accounted for as an equity transaction in the consolidated statement of changes in equity.

### *(e) Cash and Cash Equivalents*

Cash and cash equivalents include cash, and short-term money market instruments that are readily convertible to cash with original terms of three months or less. The Company has no cash equivalent at December 31, 2021, December 31, 2020 or June 30, 2020.

### *(f) Plant and Equipment*

Plant and equipment are initially recorded at cost, including all directly attributable costs to bring the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Plant and equipment are subsequently measured at cost less accumulated depreciation and applicable impairment losses. Depreciation is computed using the straight-line method based on the nature and estimated useful lives as follows:

Buildings	20 Years
Machinery	20 Years
Equipment and furniture	5 Years
Computer software	5 Years
Office equipment	5 Years
Motor Vehicle	5 Years

Subsequent costs that meet the asset recognition criteria are capitalized while costs incurred that do not extend the economic useful life of an asset are considered repair and maintenance, which are accounted for as an expense recognized during the period. The Company conducts an annual assessment of the residual balances, useful lives, and depreciation methods being used for plant and equipment and any changes are applied prospectively.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

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*(Expressed in Canadian dollars, except for share figures)*

Assets under construction are capitalized as construction-in-progress. The cost of construction-in-progress comprises of the asset's purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress assets are transferred to other respective asset classes and are depreciated when they are completed and available for use.

Upon disposal or abandonment, the carrying amounts of plant and equipment are derecognized and any associated gain or loss is recognized in net income.

### *(g) Mineral Property Interests and Exploration and Evaluation Costs*

The cost of acquiring mineral rights and properties either as an individual asset purchase or as part of a business combination, other than acquisition of assets between entities under common control (Note 2(d)), is capitalized and represents the property's fair value at the date of acquisition. Fair value is determined by estimating the value of the property's reserves, resources and exploration potential. Mineral rights and properties acquired in an acquisition of assets between entities under common control are recorded at New Pacific's, the former parent company, historical cost for such assets.

Exploration and evaluation costs, incurred associated with specific mineral rights and properties prior to demonstrable technical feasibility and commercial viability of extracting a mineral resource, are capitalized. When a positive economic analysis of the mineral deposit is completed, the capitalized costs of the related property are transferred to mineral property and depreciated using the units of production method on commencement of commercial production.

### *(h) Impairment or Impairment Reversal of Long-lived Assets*

Long-lived assets, including mineral property interests, plant and equipment are reviewed and tested for impairment when indicators of impairment are considered to exist. Impairment assessments are conducted at the level of cash-generating units ("CGU") or at the individual asset level, whichever is the lowest level for which identifiable cash inflows are largely independent of the cash flows of other assets. An impairment loss is recognized for any excess of carrying amount of a CGU over its recoverable amount, which is the greater of its fair value less costs to sell and value in use. For mineral properties and processing facilities, the recoverable amount is estimated as the discounted future net cash inflows expected to be derived from expected future production, metal prices, and net proceeds from the disposition of assets on retirement, less operating and capital costs. Impairment losses are recognized in the period they are incurred.

For exploration and evaluation assets, indication of impairment includes but is not limited to expiration of the right to explore, substantive expenditures in the specific area is neither budgeted nor planned, and exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources.

Impairment losses are reversed if there is evidence the loss no longer exists or has been decreased. This reversal is recognized in net income in the period the reversal occurs limited by the carrying value that would have been determined, net of any depreciation, had no impairment charge been recognized in prior years.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

### (i) Lease

#### Lease Definition

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. A lessee has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines or directs how and for what purposes the asset is used.

#### Measurement of Right of Use ("ROU") Assets and Lease Obligations

At the commencement of a lease, the Company, if acting in capacity as a lessee, recognizes an ROU asset and a lease obligation. The ROU asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Company's plant and equipment. The ROU asset is periodically adjusted for certain remeasurements of the lease obligation, and reduced by impairment losses, if any.

The lease obligation is initially measured at the present value of the lease payments remaining at the lease commencement date, discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate if the rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease obligation, when applicable, may comprise of fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset.

#### Recognition Exemptions

The Company has elected not to recognize the ROU asset and lease obligations for short-term leases that have a lease term of 12 months or less or for leases of low-value assets. Payments associated with these leases are recognized as general and administrative expense on a straight-line basis over the lease term on the consolidated statement of (loss) income and comprehensive (loss) income. For the year ended December 31, 2021, a total of \$28,100 (six months ended December 31, 2020 – nil; from incorporation on November 27, 2019 to June 30, 2020 – nil) short-term leases payments was recognized as expense.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

### *(j) Share-based Compensations*

The Company makes share-based compensation, including stock options, to employees, officers, directors, and consultants.

For equity-settled awards, the fair value is charged to the consolidated statements of income and credited to equity, on a straight-line basis over the vesting period, after adjusting for the estimated number of awards that are expected to vest. The fair value of the stock options granted to employees, officers, and directors is determined at the date of grant using the Black-Scholes option pricing model with market related input. The fair value of stock options granted to consultants is measured at the fair value of the services delivered unless that fair value cannot be estimated reliably, in which case such fair value is determined using the Black-Scholes option pricing model. Stock options with graded vesting schedules are accounted for as separate grants with different vesting periods and fair values.

At each statement of financial position date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards that are ultimately expected to vest is computed (after adjusting for non-market performance conditions). The movement in cumulative expense is recognized in the consolidated statements of (loss) income and comprehensive (loss) income with a corresponding entry within equity. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

### *(k) Flow-through Common Shares*

Canadian income tax legislation permits companies to issue flow-through instruments whereby the income tax deductions generated by eligible expenditures of the Company, defined in the *Income Tax Act* (Canada) as qualified Canadian exploration expenses ("CEE"), are claimed by the investors rather than by the Company. Shares issued on a flow-through basis are typically sold at a premium above the market share price which relates to the tax benefits that will flow through to the investors. The Company issues flow-through shares as part of its equity financing transactions in order to fund exploration activities at the Project. The Company estimates the portion of the proceeds attributable to the premium as being the excess of the flow-through share price over the market share price of the common shares without the flow-through feature at the time of issuance. The premium is recorded as a liability which represents the Company's obligation to spend the flow-through funds on eligible expenditures and is amortized through the consolidated statement of (loss) income and comprehensive (loss) income as the eligible expenditures are incurred and renounced.

### *(l) Income Taxes*

Current tax for each taxable entity is based on the taxable income at the substantively enacted statutory tax rate at financial position date and includes adjustments to taxes payable or recoverable in respect to previous periods.

Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

Deferred tax is recognized using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities, and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

- where the deferred tax asset or liability relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*(m) (Loss) earnings per share*

(Loss) earnings per share is computed by dividing net (loss) income attributable to equity holders of the Company by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. For stock options, the number of additional shares for inclusion in diluted earnings per share calculations is determined when the exercise price is less than the average market price of the Company's common shares; the stock options are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

### *(n) Financial Instruments*

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

#### *Initial recognition:*

On initial recognition, all financial assets and financial liabilities are recorded at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL"), in which case transaction costs are expensed as incurred.

#### *Subsequent measurement of financial assets:*

Subsequent measurement of financial assets depends on the classification of such assets.

#### I. Non-equity instruments:

IFRS 9 includes a single model that has only two classification categories for financial instruments other than equity instruments: amortized cost and fair value. To qualify for amortized cost accounting, the instrument must meet two criteria:

- i. The objective of the business model is to hold the financial asset for the collection of the cash flows; and
- ii. All contractual cash flows represent only principal and interest on that principal.

All other instruments are mandatorily measured at fair value.

#### II. Equity instruments:

At initial recognition, for equity instruments other than held for trading, the Company may make an irrevocable election to designate it as either FVTPL or fair value through other comprehensive income ("FVTOCI").

Financial assets classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization from the effective interest method is included in finance income.

Financial assets classified as FVTPL are measured at fair value with changes in fair values recognized in profit or loss. Equity investments designated as FVTOCI are measured at fair value with changes in fair values recognized in other comprehensive income ("OCI"). Dividends from that investment are recorded in profit or loss when the Company's right to receive payment of the dividend is established unless they represent a recovery of part of the cost of the investment.

#### *Impairment of financial assets carried at amortized cost:*

The Company recognizes a loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

#### *Subsequent measurement of financial liabilities*

Financial liabilities classified as amortized cost are measured using the effective interest method. Amortized cost is calculated by taking into account any discount or premiums on acquisition and fees that are an integral part of the effective interest method. Amortization using the effective interest method is included in finance costs.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

Financial liabilities classified as FVTPL are measured at fair value with gains and losses recognized in profit or loss.

The Company classifies its financial instruments as follows:

- Financial assets classified as amortized cost: cash, and GST receivables; and
- Financial liabilities classified as amortized cost: trade and other payables, accrued liabilities, promissory notes, and due to related parties.

### *Derecognition of financial assets and financial liabilities:*

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Gains and losses on derecognition of financial assets and liabilities classified as amortized cost are recognized in profit or loss when the instrument is derecognized or impaired, as well as through the amortization process.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. In this case, a new liability is recognized, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss (income) and comprehensive (loss) income.

### *Offsetting of financial instruments:*

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle liabilities simultaneously.

### *Fair value of financial instruments:*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without deduction for transaction costs. For financial instruments that are not traded in active markets, the fair value is determined using appropriate valuation techniques, such as using a recent arm's length market transaction between knowledgeable and willing parties, discounted cash flow analysis, reference to the current fair value of another instrument that is substantially the same, or other valuation models.

### *(o) Significant Judgments and Estimation Uncertainties*

Many amounts included in the consolidated financial statements require management to make judgments and/or estimates. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of relevant facts and circumstances. Actual results may differ from the amounts included in the consolidated statement of financial position.



# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

(Expressed in Canadian dollars, except for share figures)

Areas of significant judgment include:

- Capitalization of expenditures with respect to exploration and evaluation and development costs to be included in mineral rights and properties.
- Recognition, measurement and impairment or impairment reversal assessment for mineral rights and properties.
- Recording of assets acquired and obligations assumed through common control transactions at their existing book values from the controlling parties' perspective.

Areas of significant estimates include:

- Valuation input and forfeiture rates used in calculation of share-based compensation.

### 3. DEPOSITS AND PREPAYMENTS

	December 31, 2021	December 31, 2020	June 30, 2020
Deposits and prepayments related to exploration, and property and equipment	\$ 57,182	\$ -	\$ -
Other deposits and prepaid expenses	68,793	19,583	-
Total	125,975	19,583	-
Non-current portion	(57,182)	-	-
Current deposits and prepaid expenses	\$ 68,793	\$ 19,583	\$ -

### 4. PROPERTY AND EQUIPMENT

Cost	Building	Office equipment	Computer software	Equipment and furniture	Machinery	Motor vehicle	Construction in process	Total
Balance, November 27, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	13,884	-	-	-	-	13,884
Ending balance as at June 30, 2020	-	-	13,884	-	-	-	-	13,884
Additions	-	2,408	-	-	-	-	-	2,408
Ending balance as at December 31, 2020	-	2,408	13,884	-	-	-	-	16,292
Additions	439,118	20,666	9,916	62,456	88,436	76,869	119,721	817,182
Disposals	-	(2,408)	-	-	-	-	-	(2,408)
Ending balance as at December 31, 2021	\$ 439,118	\$ 20,666	\$ 23,800	\$ 62,456	\$ 88,436	\$ 76,869	\$ 119,721	\$ 831,066
<b>Accumulated depreciation and amortization</b>								
Balance, November 27, 2019	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Depreciation and amortization	-	-	(46)	-	-	-	-	(46)
Ending balance as at June 30, 2020	-	-	(46)	-	-	-	-	(46)
Depreciation and amortization	-	(40)	(1,384)	-	-	-	-	(1,424)
Ending balance as at December 31, 2020	-	(40)	(1,430)	-	-	-	-	(1,470)
Depreciation and amortization	(9,009)	(3,113)	(4,635)	(9,368)	(7,152)	(19,162)	-	(52,439)
Disposals	-	407	-	-	-	-	-	407
Ending balance as at December 31, 2021	\$ (9,009)	\$ (2,746)	\$ (6,065)	\$ (9,368)	\$ (7,152)	\$ (19,162)	\$ -	\$ (53,502)
<b>Carrying amounts</b>								
Balance as at June 30, 2020	\$ -	\$ -	\$ 13,838	\$ -	\$ -	\$ -	\$ -	\$ 13,838
Balance as at December 31, 2020	\$ -	\$ 2,368	\$ 12,454	\$ -	\$ -	\$ -	\$ -	\$ 14,822
Ending balance as at December 31, 2021	\$ 430,109	\$ 17,920	\$ 17,735	\$ 53,088	\$ 81,284	\$ 57,707	\$ 119,721	\$ 777,564

During the year ended December 31, 2021, a total of \$17,116 depreciation and amortization (six months ended December 31, 2020 - \$1,424; from incorporation on November 27, 2019 to June 30, 2020 - \$46) was recognized in the consolidated statement of (loss) income and comprehensive (loss) income, and a total of \$35,323 depreciation and amortization was capitalized to mineral property and interest (six months ended December 31, 2020 - nil; from incorporation on November 27, 2019 to June 30, 2020 - \$nil).

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

(Expressed in Canadian dollars, except for share figures)

### 5. MINERAL PROPERTY INTERESTS

The Project, covering an area of 170.3 square kilometers (“km”), is located approximately 55 kilometers south of Whitehorse, Yukon Territory, Canada, and consists of 1,051 mining claims hosting three identified gold and gold-silver mineral deposits: Skukum Creek, Goddell and Mount Skukum.

For the year ended December 31, 2021, total expenditures of \$8,779,827 (six months ended December 31, 2020 - \$1,586,867; from incorporation on November 27, 2019 to June 30, 2020 - \$851) were capitalized under the Project.

The continuity schedule of mineral property interest is summarized as follows:

<b>Cost</b>		<b>The Project</b>
<b>Balance, November 27, 2019</b>	\$	-
Acquisition of the Project		104,205
Permitting		851
Impairment reversal		11,714,944
<b>Balance, June 30, 2020</b>	\$	<b>11,820,000</b>
<u>Capitalized exploration expenditures</u>		
Geology Study		712,917
Drilling & Assaying		330,998
Camp service		200,432
Environmental study		163,625
Project management and support		144,749
Reporting and assessment		12,600
Permitting & Claims		21,546
<b>Balance, December 31, 2020</b>	\$	<b>13,406,867</b>
<u>Capitalized exploration expenditures</u>		
Geology Study	\$	1,783,245
Geophysics & Surveying		188,071
Drilling & Assaying		3,145,606
Camp service		2,020,543
Environmental monitoring		450,821
Project management and support		1,051,410
Permitting & Claims		140,131
<b>Balance, December 31, 2021</b>	\$	<b>22,186,694</b>

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

(Expressed in Canadian dollars, except for share figures)

### 6. LEASE

The following table summarizes changes in the Company's lease obligations related to the Company's vehicle leases.

	Lease Obligation
<b>Balance, January 1, 2021</b>	<b>\$ -</b>
New lease agreements entered	\$ 51,473
Interest accrual	4,217
Interest paid	(4,217)
Principal repayment	(11,771)
<b>Balance, December 31, 2021</b>	<b>\$ 39,702</b>
<b>Less: current portion</b>	<b>(26,468)</b>
<b>Non-current portion</b>	<b>\$ 13,234</b>

The following table presents a reconciliation of the Company's undiscounted cash flows to their present value for its lease obligations as at December 31, 2021:

	Lease Obligation
Within 1 year	\$ 33,392
Between 2 to 5 years	16,696
<b>Total undiscounted amount</b>	<b>50,088</b>
Less future interest	(10,386)
<b>Total discounted amount</b>	<b>\$ 39,702</b>
<b>Less: current portion</b>	<b>(26,468)</b>
<b>Non-current portion</b>	<b>\$ 13,234</b>

The lease obligations were discounted using the interest rates implicit in the lease agreements ranging between 3.9% to 6.85%.

### 7. FLOW-THROUGH SHARE PREMIUM LIABILITY

Flow-through shares are issued at a premium, calculated as the difference between the price of a flow-through share and the price of a common share at that date, as tax deductions generated by the eligible expenditures are passed through to the shareholders of the flow-through shares once the eligible expenditures are incurred and renounced.

Below is a summary of the Flow-through Unit (as defined below) private placement and the related flow-through share premium liability generated:

	Flow-through Funds	Flow-through premium liability
Balance, January 1, 2021	\$ -	\$ -
Flow-through funds raised (note 8(a))	5,833,640	364,603
Flow-through eligible expenditures	(5,833,640)	(364,603)
<b>Balance, December 31, 2021</b>	<b>\$ -</b>	<b>\$ -</b>

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

*(Expressed in Canadian dollars, except for share figures)*

### 8. SHARE CAPITAL

#### *(a) Share Capital - authorized share capital*

The Company has authorized share capital of unlimited number of common shares without par value.

On May 14, 2021, the Company raised aggregate gross proceeds of \$15,264,590 by way of private placement (the "2021 Private Placement"). The 2021 Private Placement consisted of: (i) a brokered private placement offering (the "Brokered Private Placement") of units (each, a "Unit") and flow-through units (each, a "Flow-Through Unit") for aggregate gross proceeds of approximately \$13,442,990; and (ii) a non-brokered private placement offering (the "Non-Brokered Private Placement") of Units and Flow-Through Units for aggregate gross proceeds of \$1,821,600. Under the 2021 Private Placement, the Company issued an aggregate of 6,287,300 Units and 3,646,025 Flow-Through Units.

The Units were priced at \$1.50 per Unit and Flow-Through Units at \$1.60 per Flow-Through Unit. Each Unit consists of one Share and one transferable Share purchase warrant (a "Warrant"). Each Flow-Through Unit consists of one flow-through Share and one Share purchase warrant (a "Flow-Through Warrant"). Each Warrant entitles the holder to acquire one Share from the Company at a price of \$2.00 per Share for a period of 60 months following closing of the 2021 Private Placement (the "Closing"). Each Flow-Through Warrant entitles the holder to acquire one Share from the Company at a price of \$2.10 per Share for a period of 60 months following Closing. In the event that the closing price of the Shares is greater than \$3.00 per Share on the TSXV for a period of 10 consecutive trading days at any time after the Closing, the Company may accelerate the expiry date of the Warrants and the Flow-Through Warrants by giving written notice to the holders thereof, in the form of a press release, and in such case the Warrants and the Flow-Through Warrants will expire 30 days thereafter.

The Brokered Private Placement was undertaken by BMO Nesbitt Burns Inc. (BMO Capital Markets) and Laurentian Bank Securities Inc. as co-lead agents and joint bookrunners, on behalf of a syndicate that included Red Cloud Securities Inc., Canaccord Genuity Corp. and Raymond James Ltd. (collectively, the "Agents").

In connection with the Brokered Private Placement, the Company paid the Agents a cash commission of \$446,579; and issued 286,249 warrants to the Agents. In connection with the Non-Brokered Private Placement, the Company paid aggregate finder's fees of \$9,180 and issued 6,000 warrants to the finders. The agents warrants and the finders warrants (collectively, the "Commission Warrants") entitle the holder to acquire one Share from the Company at a price of \$2.00 per Share for a period of 24 months from the Closing.

The securities issued in connection with the 2021 Private Placement had a holding period of four months and one day from the Closing.

Share issue costs related to the 2021 Private Placement totalled \$865,154, which included \$700,131 in cash commission, finder's fees, and other insurance costs, and \$165,023 Commission Warrants (note 8(c)).

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

(Expressed in Canadian dollars, except for share figures)

### (b) Share-based compensation

On March 3, 2021, the Company's Board approved the adoption of a new 10% "rolling" stock option plan. The shareholders of the Company approved the new stock option plan at the Company's annual general meeting held on May 5, 2021.

For the year end December 31, 2021, a total of \$409,816 (six months ended December 31, 2020 - \$43,773, from incorporation on November 27, 2019 to June 30, 2020 - \$nil) were recorded as share-based compensation expense, and a total of \$86,807 (six months ended December 31, 2020 - \$13,215, from incorporation on November 27, 2019 to June 30, 2020 - \$nil) were capitalized under mineral property interests.

The continuity schedule of stock options, as at December 31, 2021, is as follows:

	Number of options	Weighted average exercise price
Balance, July 1, 2020	-	\$ -
Options granted	3,450,000	0.32
Balance, December 31, 2020	3,450,000	0.32
Options granted	1,315,000	1.08
Options exercised	(91,667)	0.32
Options cancelled	(873,333)	0.77
<b>Balance, December 31, 2021</b>	<b>3,800,000</b>	<b>\$ 0.476</b>

The following table summarizes information about stock options outstanding as at December 31, 2021:

Exercise price	Number of options outstanding at December 31, 2021	Weighted average remaining contractual life (Years)	Weighted average exercise price	Number of options exercisable at December 31, 2021	Weighted average exercise price
\$0.315	2,858,333	8.88	\$0.315	1,058,334	\$0.315
\$0.60	500,000	4.91	\$0.60	-	-
\$1.38	441,667	9.34	\$1.38	129,167	\$1.38
\$ 0.315 to \$1.38	3,800,000	8.41	\$0.476	1,187,501	\$0.431

During year ended December 31, 2021, the Company granted 1,315,000 stock options (six months ended December 31, 2020 – 3,450,000, from incorporation on November 27, 2019 to June 30, 2020 - nil) to certain directors, officers and consultants having an exercise price from \$0.60 to \$1.38, a term of five years, and vesting over a three-year period in 1/6 increments, beginning on the six-month anniversary following the date of grant. The weighted average fair value of the options granted is \$0.57 per common share and estimated using the Black-Scholes options pricing model with the following assumptions:

	Year ended December 31, 2021
Risk free interest rate	0.68%
Expected life of option in years	2.74 years
Expected volatility	82%
Expected dividend yield	0.00%
Estimated forfeiture rate	10%
Weighted average share price at date of grant	\$1.11

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

(Expressed in Canadian dollars, except for share figures)

The option pricing model requires the input of subjective assumptions including the expected volatility. Changes in the assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable estimate of the fair value of the Company's stock options. The Company's expected volatility is based on historical volatility of selected peer companies share price on the TSXV.

Subsequent to December 31, 2021, the Company granted 1,475,000 stock options to certain directors, officers and consultants having an exercise price of \$0.50, a term of five years, and vesting over a three-year period in 1/6 increments, beginning on the six-month anniversary following the date of grant.

Subsequent to December 31, 2021, the Company cancelled 904,167 stock options having exercise price from \$0.315 to \$1.38.

Subsequent to December 31, 2021, a total of 166,667 stock options with grant price of \$0.315 was exercised.

### (c) Share purchase warrant

The continuity schedule of share purchase warrants, as at December 31, 2021, is as follows:

	Number of warrants	Exercise Price
Balance, January 1, 2021	-	\$ -
Warrants granted (note 8(a))	10,225,574	\$2.00 to \$2.10
<b>Balance, December 31, 2021</b>	<b>10,225,574</b>	<b>\$2.00 to \$2.10</b>

The following table summarizes information about share purchase warrants outstanding as at December 31, 2021:

	Exercise price	Number of warrants outstanding at December 31, 2021	Expiry date
Warrant	\$2.00	6,287,300	May 14, 2026
Flow-Through Warrant	\$2.10	3,646,025	May 14, 2026
Commission Warrant	\$2.00	292,249	May 14, 2023
		<b>10,225,574</b>	

The Company applied residual method to allocate the proceeds received on sale of Unit and Flow-Through Unit between equity accounts. Based on the Company's share price at the closing date of 2021 Private Placement, the fair value of the Warrant and Flow-through Warrant were deemed to be \$nil.

The fair value of the Commission Warrants granted in connection with 2021 Private Placement (note 8(a)) is \$0.56 per Common Share and estimated using the Black-Scholes options pricing model with the following assumptions:

	Year ended December 31, 2021
Risk free interest rate	<b>0.32%</b>
Expected life in years	<b>2 years</b>
Expected volatility	<b>83.51%</b>
Expected dividend yield	<b>0.00%</b>

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

(Expressed in Canadian dollars, except for share figures)

### 9. RELATED PARTY TRANSACTIONS

Related party transactions are made on terms agreed upon by the related parties. The balances with related parties are unsecured, non-interest bearing, and due on demand. Related party transactions not disclosed elsewhere in the consolidated financial statements are as follows:

	Note	December 31, 2021	December 31, 2020
Payables due to Silvercorp Metals Inc.	i	\$ 24,475	\$ 20,879

- i) Silvercorp Metals Inc. ("Silvercorp") owns approximately 29.5% interest in the Company, on a non-diluted basis. Silvercorp and the Company share office space and Silvercorp provides various general and administrative services to the Company. Expenses in services rendered and incurred by Silvercorp on behalf of the Company for the year ended December 31, 2021 was \$240,092 (six months ended December 31, 2020 - \$56,305, from incorporation on November 27, 2019 to June 30, 2020 - \$nil).

The remuneration of directors and key management personnel are as follows:

	Year ended	Six months ended	From incorporation on
	December 31, 2021	December 31, 2020	November 27, 2019 to June 30, 2020
Directors' fees	\$ 87,000	\$ -	\$ -
Directors' share-based compensation	142,571	9,911	-
Key management's salaries and benefits	980,198	187,875	57,271
Key management's share-based compensation	262,552	35,101	-
	\$ 1,472,321	\$ 232,887	\$ 57,271

### 10. FINANCIAL INSTRUMENTS

The Company manages its exposure to financial risks, including liquidity risk and credit risk in accordance with its risk management framework. The Company's Board has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

#### (a) Fair Value

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 13 – *Fair Value Measurement* ("IFRS 13").

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

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The Company does not have any financial instruments that are measured at fair value on a recurring basis as at December 31, 2021 and December 31, 2020. Fair value of financial instruments measured at amortised cost approximate their carrying amount as at December 31, 2021 and December 31, 2020 due to their short-term nature.

### (b) Liquidity Risk

The Company has no operating revenues. Liquidity risk is the risk that the Company will not be able to meet its short-term business requirements. As at December 31, 2021, the Company had working capital of \$4,379,064. The Company's ability to continue operations in the normal course of business is dependent on the Company's ability to secure additional financing.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following summarizes the remaining contractual maturities of the Company's financial liabilities:

	December 31, 2021		
	Due within a year	2-5 years	Total
Trade and other payables	\$ 799,724	\$ -	\$ 799,724
Accrued liabilities	86,052	-	86,052
Lease obligations	33,392	16,696	50,088
	\$ 919,168	\$ 16,696	\$ 935,864

### (c) Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is primarily associated with cash, receivables, and deposits and prepayments. The carrying amount of financial assets included on the consolidated statement of financial position represents the maximum credit exposure.

The Company has deposits of cash that meet minimum requirements for quality and liquidity as stipulated by the Board. Management believes the risk of loss to be remote, as majority of its cash are held with major financial institutions. As at December 31, 2021, the Company had a GST receivables balance of \$72,602 (December 31, 2020 - \$43,611, June 30, 2020 - \$1,058).

## 11. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal exploration and operating requirement on an ongoing basis, continue the investment in high quality assets along with safeguarding the value of its development and exploration mineral properties, and support any expansionary plans.

The capital of the Company consists of the items included in equity less cash and cash equivalents. Risk and capital management are primarily the responsibility of the Company's corporate finance function and is monitored by the Board of Directors. The Company manages the capital structure and makes adjustments depending on economic conditions. Significant risks are monitored and actions are taken, when necessary, according to the Company's approved policies.



# Whitehorse Gold Corp.

## Notes to Consolidated Financial Statements as at December 31, 2021 and 2020

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### 12. INCOME TAX

The income tax reconciliation is summarized below:

	Year ended December 31, 2021	Six months ended December 31, 2020	From incorporation on November 27, 2019 to June 30, 2020
Canadian statutory tax rate	27.00%	27.00%	27.00%
(Loss) income before income taxes	\$ (2,174,315)	\$ (640,137)	\$ 11,496,896
Income tax (recovery) expense computed at Canadian statutory rates	(587,065)	(172,837)	3,104,162
Share-based compensation	110,650	11,819	-
Amortization of flow-through share premium	(98,443)	-	-
Flow-through expenditures renunciation	1,575,083	-	-
Change in unrecognized deferred tax assets	(997,942)	157,097	(3,104,162)
Other	(2,283)	3,921	-
	\$ -	\$ -	\$ -

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profit is probable. The ability to realize the tax benefits is dependent upon numerous factors, including the future profitability of operations in the jurisdiction in which the tax benefit arises. Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	December 31, 2021	December 31, 2020	June 30, 2020
Non-capital loss carry forward	\$ 3,319,058	\$ 1,004,300	\$ 8,067,156
Plant and equipment	2,983,291	2,982,325	2,994,739
Mineral property interests	(1,336,326)	4,532,637	18,469,089
Investment tax credit	1,624,391	1,624,391	1,624,391
	\$ 6,590,414	\$ 10,143,653	\$ 31,155,375

As of December 31, 2021, the Company has the following net operating losses, expiring various years to 2041 and available to offset future taxable income:

	Canada
2038	41,718
2039	202,167
2040	769,928
2041	2,305,245
	\$ 3,319,058