



LAKEWOOD EXPLORATION INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JUNE 30, 2021
(Expressed in Canadian Dollars)
(unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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Lakewood Exploration Inc.

Condensed Consolidated Interim Statements of Financial Position (unaudited)

(Expressed in Canadian Dollars)

	As at	June 30,	September 30,
	Note(s)	2021	2020
		\$	\$
ASSETS			
Current assets			
Cash		2,779,552	50,001
Amounts receivable		30,189	520
Prepaid expenses	4	238,139	-
Deposits		5,000	-
		3,052,880	50,521
Non-current assets			
Deferred cost		-	20,000
Exploration and evaluation assets	5	2,791,882	97,027
		2,791,882	117,027
TOTAL ASSETS		5,844,762	167,548
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	255,186	43,964
TOTAL LIABILITIES		255,186	43,964
SHAREHOLDERS' EQUITY			
Share capital	6	5,857,307	236,501
Contributed surplus		1,183,474	87,500
Deficit		(1,451,205)	(200,417)
TOTAL SHAREHOLDERS' EQUITY		5,589,576	123,584
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		5,844,762	167,548

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These unaudited condensed consolidated interim financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Alnesh Mohan Director

/s/ Joness Lang Director

See accompanying notes to these unaudited condensed consolidated interim financial statements.

Lakewood Exploration Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (unaudited)

(Expressed in Canadian Dollars)

	Note(s)	For the three months ended		For the nine months ended	
		June 30,	June 30,	June 30,	June 30,
		2021	2020	2021	2020
		\$	\$	\$	\$
Expenses (income)					
Consulting fees	7	47,917	-	47,917	-
Foreign exchange gain		(2,152)	-	(2,152)	-
Office and administrative		1,504	18	4,300	58
Investor relations and promotion	4	83,088	-	83,088	-
Professional fees	7	118,128	-	157,574	1,530
Transfer agent and filing fees		29,961	-	35,666	-
Rent		3,000	-	12,546	-
Share-based payments	6, 7	911,849	-	911,849	-
Total comprehensive loss		(1,193,295)	(18)	(1,250,788)	(1,588)
Basic and diluted loss per share for the period (\$ per common share)		(0.09)	(0.00)	(0.13)	(0.00)
Weighted average number of common shares outstanding		13,821,312	6,850,000	9,840,437	6,850,000
- basic and diluted					

See accompanying notes to these unaudited condensed consolidated interim financial statements.

Lakewood Exploration Inc.

Condensed Consolidated Interim Statements of Shareholders' Equity (unaudited)

(Expressed in Canadian Dollars)

<u>Share capital</u>						
	Note(s)	Number of shares	Amount	Contributed surplus	Deficit	Total
Balance at October 1, 2020		7,850,000	236,501	87,500	(200,417)	123,584
Shares issued for cash - private placement	6	17,085,960	3,821,490	-	-	3,821,490
Shares issued for acquisition	3, 6	8,300,000	2,075,000	-	-	2,075,000
Share issue costs	6	-	(239,559)	-	-	(239,559)
Fair value of finder's warrants	6	-	(184,125)	184,125	-	-
Shares issued for exploration and evaluation assets	6	500,000	148,000	-	-	148,000
Share-based payments	6	-	-	911,849	-	911,849
Loss for the period		-	-	-	(1,250,788)	(1,250,788)
Balance at June 30, 2021		33,735,960	5,857,307	1,183,474	(1,451,205)	5,589,576
Balance at October 1, 2019		6,850,000	186,501	87,500	(176,252)	97,749
Loss for the period		-	-	-	(1,588)	(1,588)
Balance at June 30, 2020		6,850,000	186,501	87,500	(177,840)	96,161

See accompanying notes to these unaudited condensed consolidated interim financial statements.

Lakewood Exploration Inc.

Condensed Consolidated Interim Statements of Cash Flows (unaudited)

(Expressed in Canadian Dollars)

	Note(s)	For the nine months ended	
		June 30, 2021 \$	June 30, 2020 \$
Cash flow provided from (used by)			
OPERATING ACTIVITIES			
Loss for the period		(1,250,788)	(1,588)
Adjustments for items not affecting cash:			
Share-based payments	6	911,849	-
Effect of movements in exchange rates	5	(5,712)	-
Change in non-cash working capital			
Amounts receivable		(23,159)	(76)
Prepaid expenses		(219,280)	-
Deposits		(5,000)	-
Deferred cost		20,000	-
Accounts payable and accrued liabilities		(183,347)	(4,500)
Cash flow used in operating activities		(755,437)	(6,164)
INVESTING ACTIVITIES			
Exploration and evaluation assets additions	5	(130,272)	-
Cash assumed on acquisition	3	33,134	-
Cash flow from (used in) investing activities		(97,138)	-
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issue costs	6	3,581,931	-
Cash flow from financing activities		3,581,931	-
Effect of exchange rate changes on cash		195	-
Increase (decrease) in cash		2,729,551	(6,164)
Cash, beginning of period		50,001	6,183
Cash, end of period		2,779,552	19
SUPPLEMENTAL CASH FLOW			
Shares issued on acquisition	4, 6	2,075,000	-
Shares issued for exploration and evaluation assets	6	148,000	-
Finders' warrants issued	6	184,125	-
Cash paid during the period for interest		-	-
Cash paid during the period for income taxes		-	-

See accompanying notes to these unaudited condensed consolidated interim financial statements.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Lakewood Exploration Inc. (the “Company”) was formed on May 2, 2017 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

On April 30, 2021, the Company completed the initial public offering of common shares through its agent, Canaccord Genuity Corp. (the “Agent”). The offering of 3,000,000 common shares (the “Offering”) was fully subscribed for gross proceeds of \$300,000. In consideration for the Agent’s services provided in connection with the Offering, the Company paid a cash commission of \$24,000 and a corporate finance fee of \$7,500. The Company also issued the Agent and a member of its selling group an aggregate of 240,000 non-transferable and non-assignable warrants to purchase common shares of the Company (the “Agent’s Warrants”). Each Agent’s Warrant is exercisable to purchase one common share for a price of \$0.10 per common share until April 30, 2023.

The Company’s common shares were listed on the Canadian Securities Exchange on April 29, 2021 and began trading under the symbol “LWD” on May 3, 2021 (the “Listing Date”).

On June 16, 2021, the Company completed the acquisition (the “Acquisition”) of all the issued and outstanding securities of Silver Hammer Mining Corp. (“Silver Hammer”) pursuant to the terms of a share exchange agreement dated May 31, 2021 (the “Definitive Agreement”) between the Company, Silver Hammer and the shareholders of Silver Hammer.

In connection with the Acquisition, the Company issued an aggregate of 7,800,000 common shares in the capital of the Company (the “SH Payment Shares”) pro rata to the Silver Hammer securityholders at a price of \$0.25 per Payment Share. In connection with the Acquisition, the Company also issued 500,000 common shares with a price of \$0.25 per share to an arm’s length third party as a finder’s fee and incurred \$28,618 in transaction costs.

On June 16, 2021, the Company completed a non-brokered private placement (the “Private Placement”) by issuing 14,085,960 units (the “Units”) at \$0.25 per Unit for total gross proceeds of \$3,521,490. Each Unit is comprised of one common share of the Company and one-half of one transferable common share purchase warrant. Each whole warrant (the “Private Placement Warrants”) entitles the holder to purchase one additional common share of the Company at a price of \$0.50 for a period of 24 months from the closing date of the Private Placement.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at June 30, 2021, the Company holds an interest in an early-stage mineral exploration property and the Company had not yet determined whether the Company’s mineral property asset contains a deposit of minerals that is economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (CONTINUED)

The Company had a deficit of \$1,451,205 as at June 30, 2021, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

COVID-19

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, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company and its active subsidiaries. It has also delayed the process to complete the shutdown of the Chinese Entities. Among other adverse effects, this outbreak could decrease spending, adversely affect demand for the Company's subsidiaries' product and harm the Company's business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

These unaudited condensed consolidated interim financial statements of the Company for the nine months ended June 30, 2021 were approved by the Board of Directors on August 30, 2021.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual consolidated financial statements of the Company for the year ended September 30, 2020. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements.

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and the following subsidiaries of the Company (Note 3):

- Silver Hammer Mining Corp. ("Silver Hammer"), a company incorporated under the laws of British Columbia (ownership – 100%); and
- 123456 US Inc. ("USCo"), a company incorporated under the laws of the State of Delaware (ownership – 100%).

All subsidiaries have a reporting date of September 30.

Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Acquisitions and disposals

The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

New accounting standards

There were no new or amended IFRS pronouncements effective October 1, 2020 that impacted these condensed consolidated interim financial statements.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

3. ACQUISITION OF SILVER HAMMER MINING CORP.

As discussed in Note 1, on June 16, 2021, the Company completed the Acquisition pursuant to the terms of the Definitive Agreement between the Company, Silver Hammer and the shareholders of Silver Hammer.

In connection with the Acquisition, the Company issued the Silver Hammer Payment Shares ("SH Payment Shares") pro rata to the Silver Hammer securityholders at a price of \$0.25 per SH Payment Share. In connection with the Acquisition, the Company also issued 500,000 common shares with a price of \$0.25 per share to an arm's length third party as a finder's fees and incurred \$28,618 transaction costs.

The acquisition constitutes an asset acquisition as the Company does not meet the definition of a business, as defined in IFRS 3, "Business Combinations".

The total consideration of \$2,103,618 have been allocated as follows:

	\$
Cash	61,752
Amounts receivable	6,510
Prepaid expenses	18,859
Exploration and evaluation assets	2,410,871
Accounts payable and accrued liabilities	(394,374)
	2,103,618
	\$
Fair value of 7,800,000 common shares issued for acquisition	1,950,000
Fair value of 500,000 common shares issued as finder's fees	125,000
Cash paid for transaction costs	28,618
	2,103,618

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

4. PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for services which will be amortized over the term of the contract.

During the nine months ended June 30, 2021, the Company entered into an arm's length agreement with a company to provide investor relations consulting services. The agreement is for a six-month term. The Company paid cash of \$37,653 (US\$31,000) for the consulting services. These amounts were initially classified as prepaid expenses and will be amortized over 6 months. During the nine months ended June 30, 2021, \$6,275 was charged to the statement of loss and comprehensive loss as investor relations and promotion expenses.

During the nine months ended June 30, 2021, the Company entered into an arm's length agreement with a company to provide on-going social media consultation services. The agreement is for a six-month term. The Company paid cash of \$100,000. These amounts were initially classified as prepaid expenses and will be amortized over 6 months. During the nine months ended June 30, 2021, \$8,333 was charged to the statement of loss and comprehensive loss as investor relations and promotion expenses.

During the nine months ended June 30, 2021, the Company entered into an arm's length agreement with a company to provide market research and publishing services. The agreement is for a four-month term. The Company paid cash of \$50,000. These amounts were initially classified as prepaid expenses and will be amortized over 4 months. During the nine months ended June 30, 2021, \$12,500 was charged to the statement of loss and comprehensive loss as investor relations and promotion expenses.

5. EXPLORATION AND EVALUATION ASSETS

The Company's evaluation and exploration assets are broken down as follows:

	Lacy Property	Silver Strand Property	Total
	\$	\$	\$
Balance as of September 30, 2020	97,027	-	97,027
During the nine months ended June 30, 2021			
Acquisition costs:			
- Cash	-	39,197	39,197
- Shares (Note 6)	30,000	118,000	148,000
- Others (Note 3)	-	2,410,871	2,410,871
	30,000	2,568,068	2,598,068
Deferred exploration costs:			
Assays and sampling	-	7,628	7,628
Geological	83,200	247	83,447
	83,200	7,875	91,075
Effect of movements in exchange rates	-	5,712	5,712
Balance as of June 30, 2021	210,227	2,581,655	2,791,882

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Lacy Property

Pursuant to an option agreement dated November 2, 2017 (the "LP Agreement") and amended on October 8, 2020, with Barrie Field-Dyde (the "LP Optionor"), the Company was granted an option to acquire a 100% undivided interest in the Lacy Property (the "LP Property") located in the Alberni Mining Division of British Columbia. The LP Property is comprised of three mineral claims.

In accordance with the LP Agreement, the Company has the option to acquire 100% undivided interest in the LP Property by paying \$10,000 (paid) upon execution of the Agreement and issuance of 300,000 common shares of the Company (issued with fair value of \$30,000) (Note 6) no later than 15 days after the Company's common shares are listed on a securities exchange in Canada. If the common shares of the Company are not listed by July 31, 2021, the option to acquire the Property will be terminated.

The LP Optionors will retain a 2% net smelter returns royalty (the "NSR") on the LP Property. The Company has the right to purchase each of the percentage of NSR for \$1,000,000 during the five-year period commencing from the date the LP Property is put into commercial production.

Silver Strand Project

Acquisition Agreement with Gold Rush Expeditions, Inc.

On August 21, 2020, Silver Hammer through USCo entered into a purchase contract with Gold Rush Expeditions, Inc. ("GRE") (the "GRE Agreement") to acquire a 100% interest in the Silver Strand and Burnt Mineral Claims (the "GRE Claims") for a purchase price of US\$130,000 (paid prior to the Acquisition).

Asset Purchase Agreement with Silver Strand Development LLC.

On January 21, 2021 (the "SSD Effective Date"), Silver Hammer through USCo entered into an asset purchase agreement with Silver Strand Development LLC. ("SSD") (the "SSD Agreement") to acquire a 100% interest in certain mineral claims (the "SSD Claims") located in the State of Idaho, USA.

To acquire 100% interest of the SSD Claims, the Company will have to:

- Pay US\$10,000 to SSD for the transfer of the title to USCo of the SSD Claims (the "Transfer of Title") (paid prior to the Acquisition);
- Pay US\$25,000 to SSD within 5 business days of the Acquisition (paid – \$39,197);
- Issue 200,000 common shares of the Company to SSD at the date of the Acquisition (issued with fair value of \$118,000) (Note 6);
- Pay US\$25,000 to SSD on the anniversary following the completion of the Acquisition; and
- Issue 200,000 common shares of the Company to SSD on the anniversary following the completion of the Acquisition.

In addition, from the SSD Effective Date, the Company is required to pay the claim fees to the United States Bureau of Land Management, pay the fees, and file the notices to Kootenai County, Idaho, no later than August 15th of each year (The Company paid the claim fees for Year 2021 subsequent to June 30, 2021).

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Escrow shares

On March 4, 2021, the Company entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release as follows:

- On the Listing Date: 250,000 common shares (released)
- On November 3, 2021: 375,000 common shares
- On May 3, 2022: 375,000 common shares
- On November 3, 2022: 375,000 common shares
- On May 3, 2023: 375,000 common shares
- On November 3, 2023: 375,000 common shares
- On May 3, 2024: 375,000 common shares

As of June 30, 2021, there were 2,250,000 common shares held in escrow (September 30 – nil).

Issued share capital

As of June 30, 2021, the Company had 33,735,960 (September 30, 2020 – 7,850,000) common shares issued and outstanding with a value of \$5,857,307 (September 30, 2020 – \$236,501).

During the nine months ended June 30, 2021

- On April 30, 2021, the Company completed the initial public offering of common shares through the Agent (Note 1). The Offering was fully subscribed for gross proceeds of \$300,000. In consideration for the Agent's services provided in connection with the Offering, the Company paid a cash commission of \$24,000 and a corporate finance fee of \$7,500. The Company also issued the Agent and a member of its selling group an aggregate of 240,000 non-transferable and non-assignable warrants to purchase common shares of the Company (the "Agent's Warrants"). Each Agent's Warrant is exercisable to purchase one common share for a price of \$0.10 per common share until April 30, 2023.

The Company estimated the fair value of Agent's Warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.29%, an expected life of 2 years, an expected volatility of 88% and an expected dividend yield of 0%, which totaled \$11,237, and recorded these values as share issuance costs.

In addition, the Company incurred \$32,000 share issuance costs.

- On April 30, 2021, the Company issued 300,000 common shares of the Company with fair value of \$30,000 pursuant to the LP Agreement (Note 5).
- On June 16, 2021, the Company completed the Private Placement by issuing 14,085,960 Units at \$0.25 per Unit for total gross proceeds of \$3,521,490. Each Unit is comprised of one common share of the Company and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.50 for a period of 24 months from the closing date of the Private Placement.

In connection with the Private Placement, the Company paid finder's fees of \$147,885 and 591,500 finder's warrants (the "Finder's Warrants"). The Finder's Warrants are exercisable on the same terms as the Private Placement Warrants.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

During the nine months ended June 30, 2021 (continued)

The Company estimated the fair value of Finder's Warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.37%, an expected life of 2 years, an expected volatility of 84% and an expected dividend yield of 0%, which totaled \$172,888, and recorded these values as share issuance costs.

In addition, the Company incurred \$28,174 share issuance costs.

- On June 16, 2021, the Company completed the Acquisition and issued the 7,800,000 SH Payment Shares with fair value of \$1,950,000 (Note 3). In connection with the Acquisition, the Company also issued 500,000 common shares with a price of \$0.25 per share to an arm's length third party as a finder's fee.
- On June 16, 2021, the Company issued 200,000 common shares of the Company with fair value of \$118,000 pursuant to the LP Agreement (Note 5).

No shares were issued during the nine months ended June 30, 2020.

Warrants

The changes in warrants during the nine months ended June 30, 2020 are as follows:

	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	-	-
Issued	7,874,480	0.49
Balance, end of period	7,874,480	0.49

The following summarizes information about warrants outstanding at June 30, 2021:

Expiry date	Exercise price (\$)	Warrants outstanding	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
March 11, 2023	0.10	240,000	11,237	1.70
June 16, 2023	0.50	7,042,980	-	1.96
June 16, 2023	0.50	591,500	172,888	1.96
		7,874,480	184,125	1.95

Options

The Company has a share option plan (the "Plan") that allows it to grant options to its employees, officers, directors and consultants. A fixed maximum of 10% of the common shares issued may be granted. The exercise price of each option shall not be less than the closing market price for the common shares on the trading day prior to the date of the grant. Options may have a maximum term of ten years. Vesting conditions of options is at the discretion of the Board of Directors at the time the options are granted.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

6. SHARE CAPITAL (CONTINUED)**Options (continued)**

The changes in options during the nine months ended June 30, 2021 are as follows:

	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of period	-	-
Granted	2,600,000	0.62
Balance, end of period	2,600,000	0.62

During the nine months ended June 30, 2021

- On June 16, 2021, the Company granted 2,000,000 options with an exercise price of \$0.62 to its directors, officers, and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- On June 24, 2021, the Company granted 600,000 options with an exercise price of \$0.62 to its directors and officers. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

The estimated grant date fair value of the options granted during the nine months ended June 30, 2021 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

Number of options granted	2,600,000
Risk-free interest rate	0.81%
Expected annual volatility	78.71%
Expected life (in years)	5.00
Expected dividend yield	0%
Grant date fair value per option (\$)	0.35
Share price at grant date (\$)	0.57

During the nine months ended June 30, 2021, the Company recognized share-based payments expense of \$911,849 (June 30, 2020 – \$nil).

The following summarizes information about stock options outstanding and exercisable at June 30, 2021:

Expiry date	Exercise price (\$)	Options outstanding	Options exercisable	Estimated grant date fair value (\$)	Weighted average remaining contractual life (in years)
June 16, 2026	0.62	2,000,000	2,000,000	730,467	4.96
June 24, 2026	0.62	600,000	600,000	181,382	4.99
		2,600,000	2,600,000	911,849	4.97
Weighted average exercise price (\$)	0.62				

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related party transactions

The Company's related parties as defined by IAS 24, Related Party Disclosures, include the Company's subsidiaries (above), and the following directors, executive officers, key management personnel, and enterprises which are controlled by these individuals:

<u>Related Party</u>	<u>Relationship</u>
Alnesh Mohan	CFO, Director
Joness Lang	Director
David Grandy	Director
Lawrence Roulston	Officer
Michael Dake	CEO, Director, Corporate Secretary
Morgan Lekstrom	President
Sean McGrath	Director
Quantum Advisory Partners LLP	A partnership in which the CFO is a partner.
All Mine Consulting	A company controlled by the President.

The Company considered the executive officers and directors as the key management of the Company.

Total compensation of key company personnel for the six months ended June 30, 2020 and 2019 is as follows:

	<u>For the nine months ended</u>	
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
	<u>\$</u>	<u>\$</u>
Professional fees	23,400	-
Consulting fees	27,917	-
Share-based compensation	437,045	-
	488,362	-

During the nine months ended June 30, 2021, the Company paid professional fees of \$23,400 (June 30, 2020 – \$nil) to Quantum Advisory Partners LLP, a partnership in which the CFO is an incorporated partner, for professional services including accounting and transaction support.

During the nine months ended June 30, 2021, the Company paid consulting fees of \$27,917 (June 30, 2020 - \$nil) to All Mine Consulting, a corporation controlled by the President.

Related party balances

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$52,568 as at June 30, 2021 (September 30, 2020 – \$36,316). These amounts are unsecured, non-interest bearing and payable on demand.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

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8. CONTINGENCIES

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. Other than disclosed herein, the Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

9. SEGMENTED INFORMATION

The Company operates in one reportable segment being the exploration and evaluation of mineral properties. The Company's non-current assets are located as follows:

	Canada \$	United States \$	Total \$
As at June 30, 2021			
Non-current assets			
Deferred cost	-	-	-
Exploration and evaluation assets	210,227	2,581,655	2,791,882
	210,227	2,581,655	2,791,882
As at September 30, 2020			
Non-current assets			
Deferred cost	20,000	-	20,000
Exploration and evaluation assets	97,027	-	97,027
	117,027	-	117,027

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

Lakewood Exploration Inc.

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

Financial instruments are classified into one of the following categories: FVTPL, amortized cost and FVTOCI.

Set out below are the Company's financial assets and liabilities by category:

	June 30, 2021	FVTPL	Amortized costs
	\$	\$	\$
Financial assets:			
ASSETS			
Cash	2,779,552	2,779,552	-
Amounts receivable	30,189	-	30,189
Financial liabilities:			
LIABILITIES			
Accounts payable and accrued liabilities	255,186	-	255,186

	September 30, 2020	FVTPL	Amortized costs
	\$	\$	\$
Financial assets:			
ASSETS			
Cash	50,001	50,001	-
Amounts receivable	520	-	520
Financial liabilities:			
LIABILITIES			
Accounts payable and accrued liabilities	43,964	-	43,964

The carrying values of amounts receivable, reclamation deposits, accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

As at June 30, 2021 and September 30, 2020, the financial instrument recorded at fair value on the statements of financial position is cash which is measured using Level 1 of the fair value hierarchy. As at June 30, 2021 and September 30, 2020, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and amounts receivable.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk concentration with respect to these financial instruments is remote. Cash and cash equivalents based in Canada are accessible. The Company's amounts receivable balance does not represent significant credit exposure as it is principally due from the Government of Canada.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

As at June 30, 2021, the Company had cash and cash equivalents of \$2,779,552 and accounts payable and accrued liabilities of \$255,186. All accounts payable and accrued liabilities are current.

Market risk

The significant market risks to which the Company is exposed are interest rate risk, foreign currency risk, and price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash is held at a Canadian chartered bank. Management believes that the credit risk concentration with respect to cash is remote as the cash and cash equivalents are easily accessible.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on the balance of cash at June 30, 2021 would result in an approximately \$28,000 change to the Company's loss for the six months ended June 30, 2021.

Lakewood Exploration Inc.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

For the nine months ended June 30, 2021

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**Financial risk management (continued)****Foreign Currency risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars ("CAD"). The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, amounts receivable, and accounts payable and accrued liabilities are held in CAD and United States dollars ("US"); therefore, US accounts are subject to fluctuation against the CAD.

The Company's financial instruments were denominated as follows as at June 30, 2021:

	CA\$	US\$
Cash	2,742,374	29,994
Amounts receivable	30,189	-
Deferred cost	-	-
Accounts payable and accrued liabilities	(201,256)	(43,509)
	2,571,307	(13,515)
Rate to convert to \$1.00 CAD	1.00000	1.23950
Equivalent to CAD	2,571,307	(16,752)

Based on the above net exposures as at June 30, 2021, and assuming that all other variables remain constant, a 10% change of the CAD against the US would change profit or loss by approximately \$1,700.

Commodity price risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. The Company is not exposed to significant other price risk.