

# **HILO MINING LTD.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED FEBRUARY 28, 2022**

*(Unaudited – Expressed in Canadian dollars)*

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 accompanying unaudited condensed interim financial statements of Hilo Mining Ltd. (the "Company") have been prepared by and are the responsibility of management. These condensed interim financial statements for the nine months ended February 28, 2022, have not been reviewed or audited by the Company's independent auditors.

**HILO MINING LTD.**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian dollars)

<b>As at</b>	<b>February 28, 2022 (Unaudited)</b>	<b>May 31, 2021 (Audited)</b>
	\$	\$
<b>ASSETS</b>		
CURRENT		
Cash	702,046	1
Amounts receivable	9,593	-
	711,639	1
Exploration and evaluation asset (Note 6)	236,231	-
<b>TOTAL ASSETS</b>	<b>947,870</b>	<b>1</b>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	110,158	-
	110,158	-
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	855,658	1
Reserves	313,528	-
Deficit	(331,474)	-
	837,712	1
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>947,870</b>	<b>1</b>

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)

Approved and authorized for issue on behalf of the Board on April 29, 2022:

"Christos Doulis" Director

"Jeremy Poirier" Director

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

**HILO MINING CORP.****Condensed Interim Statements of Loss and Comprehensive Loss****For the three and nine months ended February 28, 2022 and 2021**

(Unaudited – Expressed in Canadian dollars)

	Three months ended February 28, 2022	Incorporation on February 2, 2021 to February 28, 2021	Nine months ended February 28, 2022	Incorporation on February 2, 2021 to February 28, 2021
	\$	\$	\$	\$
<b>EXPENSES</b>				
Consulting fees (Note 8)	3,600	-	66,050	-
Filing and Transfer agent fees	21,536	-	24,661	-
Investor relations	-	-	880	-
Management fee (Note 8)	35,250	-	44,250	-
Office	3,866	-	3,940	-
Professional fees (Note 8)	69,349	-	117,588	-
Share-based payments (Note 7)	74,105	-	74,105	-
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	207,706	-	331,474	-
Basic and diluted loss per share	(0.03)	-	(0.12)	-
Weighted average number of common shares outstanding, basic and diluted	7,270,564	1	2,752,769	1

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

**HILO MINING LTD.**  
**Condensed Interim Statements of Changes in Shareholders' Equity**  
**For the nine months ended February 28, 2022 and 2021**  
(Unaudited – Expressed in Canadian dollars)

	<b>Common Shares</b>		<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>			
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, February 2, 2021	-	-	-	-	-
Shares issued on incorporation	1	1	-	-	1
Net loss for the period	-	-	-	-	-
<b>Balance, February 28, 2021</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Balance, May 31, 2021	1	1	-	-	1
Shares issued pursuant to the Arrangement	1,499,999	-	236,231	-	236,231
Shares issued for cash, net	5,772,363	855,657	3,192	-	858,849
Share-based payments	-	-	74,105	-	74,105
Net loss for the period	-	-	-	(331,474)	(331,474)
<b>Balance, February 28, 2022</b>	<b>7,272,363</b>	<b>855,658</b>	<b>313,528</b>	<b>(331,474)</b>	<b>837,712</b>

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

**HILO MINING LTD.**  
**Condensed Interim Statements of Cash Flows**  
**For the nine months ended February 28, 2022 and 2021**  
(Unaudited – Expressed in Canadian dollars)

	Nine months ended February 28 2022	Incorporation on February 2, 2021 to February 28, 2021
<b>Cash provided by (used in):</b>	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	(331,474)	-
Non-cash items		-
Share-based payments	74,105	
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	(9,593)	-
Accounts payable and accrued liabilities	110,158	-
<b>Net cash used in operating activities</b>	<b>(156,804)</b>	<b>-</b>
<b>FINANCING ACTIVITY</b>		
Advances from former parent	71,125	-
Repayments to former parent	(71,125)	-
Shares issued for cash, net	858,849	1
<b>Net cash provided by financing activity</b>	<b>858,849</b>	<b>1</b>
Change in cash	702,045	1
Cash, beginning of period	1	-
<b>Cash, end of period</b>	<b>702,046</b>	<b>1</b>

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

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**HILO MINING LTD.**

Notes to the Condensed Interim Financial Statements  
For the nine months ended February 28, 2022 and 2021  
(Unaudited – Expressed in Canadian dollars)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Hilo Mining Ltd. (the “Company”) was incorporated on February 2, 2021 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 503 - 905 Pender Street, Vancouver, British Columbia, Canada, V6C 1L6. The Company was incorporated as a subsidiary of Golden Independence Mining Corp. (“Golden”)

The Company’s principal business activities include the acquisition and exploration of mineral property assets. On April 22, 2021, the Company entered into an arrangement agreement (the “Arrangement”) with its parent entity, Golden, whereby the Company will issue 1,499,999 common shares to Golden in exchange for Golden’s mining claim representing the Champ exploration property (the “Property”). Under the Arrangement, Golden will distribute 1,000,000 of the common shares to its shareholders and Golden will hold 499,999 common shares of the Company. The Company completed the Arrangement on November 12, 2021.

The Company’s unaudited condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for at least the next twelve months. Management recognizes that the Company will need to obtain additional financial resources in order to meet its planned business objectives. There are no assurances that the Company will be able to obtain additional financial resources and/or achieve positive cash flows or profitability. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These unaudited condensed interim financial statements do not give effect to any adjustments that 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 unaudited condensed interim financial statements.

The outbreak of coronavirus, COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

**2. BASIS OF PRESENTATION**

## a) Statement of compliance

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s audited financial statements for the period from incorporation on February 2, 2021 to May 31, 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

These unaudited condensed interim financial statements were authorized for issue in accordance with a resolution from the Board of Directors on April 29, 2022.

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**2. BASIS OF PRESENTATION** (continued)

## b) Basis of presentation

These unaudited condensed interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments, which are measured at fair value. In addition, these unaudited condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all years presented in these unaudited condensed interim financial statements.

## c) Significant accounting estimates and judgments

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

*Significant accounting judgments*

- i. The determination of categories of financial assets and financial liabilities; and
- ii. The evaluation of the Company's ability to continue as a going concern.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These unaudited condensed interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited financial statements for the period from incorporation on February 2, 2021 to May 31, 2021.

**4. 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 resource properties. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, reserves 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.



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Notes to the Condensed Interim Financial Statements  
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**5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK***Fair value*

As at February 28, 2022, the Company's financial instruments consist of cash and accounts payable.

IFRS 13 *Fair Value Measurement* establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. IFRS 13 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.
- Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e., quoted prices for similar assets or liabilities).
- Level 3 – Prices or valuation techniques that are not based on observable market data and require inputs that are both significant to the fair value measurement and unobservable.

The fair value of cash is based on Level 1 inputs. There are no Level 2 or Level 3 financial instruments.

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's unaudited condensed interim statement of financial position at February 28, 2022 as follows:

Fair Value Measurements Using	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	702,046	-	-	702,046
Accounts payable	110,158	-	-	110,158
	812,204	-	-	812,204

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The financial instrument that potentially subjects the Company to concentrations of credit risk consists principally of cash. To minimize the credit risk, the Company places its cash with high quality financial institutions.

*Liquidity risk*

The Company manages liquidity risk through the management of its capital structure, as outlined in Note 4. The Company monitors its ability to meet its short-term exploration and administrative expenditure requirements by raising additional funds through share issuances when required.

*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows will fluctuate due to changes in foreign exchange rates. The Company is not exposed to significant foreign exchange risk.

*Interest rate risk*

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

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**6. EXPLORATION AND EVALUATION ASSET**

For the nine months ended February 28, 2022 and the year ended May 31, 2021, expenditures related to the acquisition and exploration of mineral properties consisted of:

	Champ Property
	\$
Acquisition Costs:	
Balance, May 31, 2021	-
Shares issued pursuant to the Arrangement	236,231
Balance, February 28, 2022	236,231
Exploration Costs:	
Balance, May 31, 2021 and February 28, 2022	-
Total, May 31, 2021	-
Total, February 28, 2022	236,231

Pursuant to an option agreement (the "Agreement") dated August 24, 2017, Golden was granted an option to acquire a 100% undivided interest in the Property located in the Greenwood Mining District of British Columbia. In accordance with the Agreement, Golden acquired a 100% undivided interest in the Property by issuing a total of 300,000 common shares of Golden and making a payment of \$10,000.

The optionor retains a 2% net smelter return royalty on the Property. Golden has the right to purchase the first 1% of the royalty for \$1,000,000 and the remaining 1% for \$1,000,000 at any time during the five-year period starting from the date of commencement of commercial production.

Prior to the closing of the Arrangement (Note 1) with the Company's parent, Golden, the Company and Golden entered into an Asset Purchase Agreement pursuant to which the Company acquired Golden's interest in the Champ Project in exchange for the issuance of 1,499,999 common shares of the Company. The fair value of the Property was determined to be \$236,231 at the date of the transaction.

**7. SHARE CAPITAL**

## a) Authorized

The Company's authorized capital consists of an unlimited number of common shares without par value.

## b) Issued and outstanding

Share capital activities during the nine months ended February 28, 2022 are as follows:

- On November 12, 2021, the Company completed the Arrangement (Note 1) and issued 1,499,999 common shares.
- On November 17, 2021, the Company issued 5,772,363 common shares for gross proceeds of \$865,854. The Company incurred cash finder's fees of \$7,005. The Company issued 47,299 brokers' warrants with an exercise price of \$0.30 and maturity two years after the grant date with a fair value of \$3,192.
- On February 1, 2022, the Company granted 550,000 stock options with a maturity date of February 1, 2027 and an exercise price of \$0.15 to certain directors, officers and consultants of the Company. The stock options had a fair value of \$74,105 and vested immediately.

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**7. SHARE CAPITAL (continued)**

## c) Stock options

Stock option transactions and the number of stock options outstanding are summarized below:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, May 31, 2021	-	-
Granted	550,000	0.15
Balance, February 28, 2022	550,000	0.15

Additional information regarding stock options outstanding is as follows:

Expiry Date	Exercise Price (\$)	Number of Options Issued and Exercisable
February 1, 2027	0.15	550,000
Balance, February 28, 2022		550,000

The stock options were valued using the following Black-Scholes option pricing model using the following assumptions:

	2022
Risk-free interest rate	1.65%
Dividend yield	0%
Expected volatility	144.56%
Expected life (years)	5
Forfeiture rate	0%

The expected volatility used for the stock options granted is based on the historical share prices of comparable companies.

## d) Brokers' warrants

Brokers' warrants transactions and the number of brokers' warrants outstanding are summarized below:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, May 31, 2021	-	-
Granted	47,299	0.30
Balance, February 28, 2022	47,299	0.30

Additional information regarding brokers' warrants outstanding is as follows:

Expiry Date	Exercise Price (\$)	Number of Warrants Issued and Exercisable
November 17, 2023	0.30	46,699
December 17, 2023	0.30	600
Balance, February 28, 2022		47,299

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**7. SHARE CAPITAL** (continued)

## d) Brokers' warrants (continued)

The brokers' warrants were valued using the following Black-Scholes option pricing model using the following assumptions:

	2022
Risk-free interest rate	1.00%
Dividend yield	0%
Expected volatility	116.97%
Expected life (years)	2
Forfeiture rate	0%

The expected volatility used for the brokers' warrants granted is based on the historical share prices of comparable companies.

**8. RELATED PARTY BALANCES AND TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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

During the nine months ended February 28, 2022, the Company incurred key management compensation of \$44,250 (2021 - \$nil) related to management fees and \$74,105 (2021 - \$nil) related to share-based payments. In addition, the Company expensed professional fees of \$14,285 to a company that employs the Chief Financial Officer. At February 28, 2022, \$41,257 (May 31, 2021 - \$nil) related to management fees and professional fees remained in accounts payable and accrued liabilities.

As disclosed in Notes 1 and 6, pursuant to an Arrangement with the Company's parent entity, Golden, the Company acquired a 100% interest in the option agreement representing the Champ Property.

The Company also incurred consulting fees of \$60,000 to Golden, the Company's former parent, for work related to the transaction. During the nine months ended February 28, 2022, the Company paid an additional \$11,125 to Golden for other expense reimbursements related to the Arrangement.

The amounts payable are non-interest-bearing, unsecured, due on demand and have no fixed terms of repayment.