Condensed interim consolidated financial statements of

# Gold Line Resources Ltd.
# (formerly Tilting Capital Corp.)

Three month ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)

**NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim consolidated financial statements of Gold Line Resources Ltd. (formerly Tilting Capital Corp.) (the “Company”) have been prepared by and are the responsibility of the Company’s management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these condensed interim consolidated financial statements.

# Gold Line Resources Ltd. (formerly Tilting Capital Corp.)

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

| | | **March 31, 2021** | | December 31, 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | | | | |
| Cash | **$** | **1,906,171** | $ | 5,461,327 |
| Amounts receivable (Note 4) | | **285,000** | | 201,498 |
| Deposit (Note 5) | | **938,475** | | - |
| Prepaid expenses | | **561,456** | | 133,997 |
| | | **3,691,102** | | 5,796,822 |
| Exploration and evaluation assets (Note 6) | | **4,354,663** | | 3,058,309 |
| Total assets | **$** | **8,045,765** | $ | 8,855,131 |
| **Liabilities** | | | | |
| Current liabilities | | | | |
| Amounts payable and accrued liabilities | **$** | **728,821** | $ | 674,968 |
| Loan payable (Note 10) | | **-** | | 95,000 |
| | | **728,821** | | 769,968 |
| **Shareholders' equity** | | | | |
| Share capital (Note 8) | | **13,667,562** | | 13,316,512 |
| Commitment to issue shares (Note 8) | | **30,000** | | 30,000 |
| Equity reserves (Note 8) | | **1,863,669** | | 1,508,785 |
| Deficit | | **(8,244,287)** | | (6,770,134) |
| Total shareholders' equity | | **7,316,944** | | 8,085,163 |
| Total liabilities and shareholders' equity | **$** | **8,045,765** | $ | 8,855,131 |

Nature of operations and going concern (Note 1)
Subsequent events (Note 8, 13, 14)

Approved by the Board of Directors and authorized for issue on May 31, 2021:

Henrik Lundin Director

Adam Cegielski Director

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

# Gold Line Resources Ltd. (formerly Tilting Capital Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

| | Three months ended March 31 | |
|---|---|---|
| | **2021** | 2020 |
| **Expenses** | | |
| Advisory and consulting (Note 11) | **$ 262,370** | $ 27,000 |
| License fees | **377** | - |
| Marketing and advertisement | **630,137** | - |
| Professional fees | **118,773** | 12,028 |
| Regulatory and transfer agent | **51,904** | - |
| Rent and office | **13,534** | 3,084 |
| Share-based compensation (Note 8(c)) | **379,434** | - |
| Travel | **2,261** | 2,837 |
| | **(1,458,790)** | (44,949) |
| Foreign exchange gain (loss) | **(19,680)** | 1,398 |
| Finance income | **4,317** | - |
| | **(15,363)** | 1,398 |
| **Loss and comprehensive loss for the period** | **$ (1,474,153)** | $ (43,551) |
| Basic and diluted loss per share | **$ (0.02)** | $ (0.00) |
| Weighted average number of common shares outstanding - basic and diluted | **84,622,328** | 25,810,210 |

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

# Gold Line Resources Ltd. (formerly Tilting Capital Corp.)

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

| | Share capital | | Commitment | Equity | | Total shareholders' |
|---|---|---|---|---|---|---|
| | Number | Amount | to issue shares | reserves | Deficit | equity |
| **Balance at December 31, 2019** | **25,810,210** | **$ 1,010,861** | **$ -** | **$ -** | **$ (81,739)** | **$ 929,122** |
| Loss and comprehensive loss | - | - | - | - | (43,551) | (43,551) |
| **Balance at March 31, 2020** | **25,810,210** | **1,010,861** | **-** | **-** | **(125,290)** | **885,571** |
| Private placement | 33,618,000 | 6,963,750 | - | - | - | 6,963,750 |
| Share issuance costs | - | (871,668) | - | - | - | (871,668) |
| Share issuance - finders' fee | 1,800,000 | 450,000 | - | - | - | 450,000 |
| Share issuance - administration fee | 340,000 | 85,000 | - | - | - | 85,000 |
| Share issuance - property acquisition | 4,391,084 | 1,097,771 | - | - | - | 1,097,771 |
| Reverse takeover transaction | 18,323,191 | 4,580,798 | - | 316,384 | - | 4,897,182 |
| Share-based compensation | - | - | - | 1,192,401 | - | 1,192,401 |
| Commitment to issue shares | - | - | 30,000 | - | - | 30,000 |
| Loss and comprehensive loss | - | - | - | - | (6,644,844) | (6,644,844) |
| **Balance at December 31, 2020** | **84,282,485** | **13,316,512** | **30,000** | **1,508,785** | **(6,770,134)** | **8,085,163** |
| Shares issued on exercise of warrants | 866,200 | 333,664 | - | (17,164) | - | 316,500 |
| Shares issued on exercise of options | 100,000 | 17,386 | - | (7,386) | - | 10,000 |
| Share-based compensation | - | - | - | 379,434 | - | 379,434 |
| Loss and comprehensive loss | - | - | - | - | (1,474,153) | (1,474,153) |
| **Balance at March 31, 2021** | **85,248,685** | **$ 13,667,562** | **$ 30,000** | **$ 1,863,669** | **$ (8,244,287)** | **$ 7,316,944** |

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

# Gold Line Resources Ltd. (formerly Tilting Capital Corp.)

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

| | Three months ended March 31 | |
|---|---|---|
| | **2021** | 2020 |
| **Operating activities** | | |
| Loss | **$ (1,474,153)** | $ (43,551) |
| Items not involving cash: | | |
| Share-based compensation | **379,434** | - |
| Changes in non-cash working capital items: | | |
| Amounts receivable | **(83,502)** | (22,218) |
| Deposit | **(938,475)** | - |
| Prepaid expenses | **(427,459)** | (18,525) |
| Amounts payable and accrued liabilities | **(254,546)** | 133,129 |
| | **(2,798,701)** | 48,835 |
| **Investing activities** | | |
| Exploration and evaluation assets | **(987,955)** | (74,866) |
| | **(987,955)** | (74,866) |
| **Financing activities** | | |
| Proceeds from exercise of warrants | **316,500** | - |
| Proceeds from exercise of options | **10,000** | - |
| Loan payable | **(95,000)** | - |
| | **231,500** | - |
| Change in cash | **(3,555,156)** | (26,031) |
| Cash, beginning of period | **5,461,327** | 66,390 |
| **Cash, end of period** | **$ 1,906,171** | $ 40,359 |
| **Supplemental cash flow information:** | | |
| Cash paid during the period for interest | $ - | $ - |
| Cash paid during the period for taxes | $ - | $ - |
| Exploration and evaluation assets accrued through amounts payable and accrued liabilities | $ 859,359 | $ 113,916 |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the laws of the Province of British Columbia and continued under the Canada Business Corporation Act, then subsequently continued under the Business Corporations Act (British Columbia) (the "BCBCA"). The Company is currently listed on the TSX Venture Exchange ("TSXV") under the trading symbol "GLDL". The registered address and records office of the Company are located at 2200 HSBC Building 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3E8. As at the date of this report, the Company's principal business activity is the acquisition and exploration of mineral property interests, particularly in Sweden and Finland.

On October 28, 2020, the Company completed the acquisition of all of the issued and outstanding shares of a private company, Gold Line Resources Ltd. ("GLR"), through a reverse takeover transaction (the "RTO Transaction"), resulting in the Company's name change to Gold Line Resources Ltd. The net assets of the Company at the date of the RTO Transaction are deemed to have been acquired by GLR (Note 3).

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will continue as a going concern, meaning it will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. As at March 31, 2021, the Company had working capital of $2,962,281 (December 31, 2020: $5,026,854). During the three months ended March 31, 2021, the Company incurred a loss of $1,474,153, and at March 31, 2021, the Company has not achieved profitable operations, and has accumulated losses of $8,244,287 since inception. The Company's ability to continue in the normal course of operations is dependent on its ability to raise equity financing or through the sale of its assets at amounts favourable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements were approved and authorized for issuance on May 31, 2021.

***COVID-19 uncertainty***

To the date of this report, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As at the date of this report, the Company has not been significantly impacted by the spread of COVID-19.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

## 2. BASIS OF PRESENTATION

*(a) Statement of compliance*

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretation Committee. These condensed interim consolidated financial statements as at and for the three months ended March 31, 2021, including comparatives, are prepared in accordance with IAS 34 Interim Financial Reporting and follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, they should be read in conjunction with the Company's most recent annual financial statements.

## 2. BASIS OF PRESENTATION (Continued)

*(b) Basis of measurement*

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

*(c) Basis of consolidation*

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, being Gold Line Resources Holdings Ltd. (British Columbia) and Gold Line Resources Sweden AB (Sweden).

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions and balances have been eliminated.

*(d) Significant accounting judgements and estimates*

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

<u>Critical judgement</u>

The preparation of these condensed interim consolidated financial statements requires the Company to make judgments regarding the going concern of the Company as disclosed in Note 1. Management considers various factors including current working capital, budgeted and committed expenditures, discretionary expenditures and available financing opportunities. As at March 31, 2021, management determined the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

<u>Key sources of estimation uncertainty</u>

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting the condensed interim consolidated financial statements include:

*Fair value of stock options and warrants*

Determining the fair value of warrants and stock options requires judgements related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

## 2. BASIS OF PRESENTATION (Continued)

*(d) Significant accounting judgements and estimates (Continued)*

Key sources of estimation uncertainty (Continued)

*Determination of functional currency*

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, the Company determined its functional currency, and the functional currency of its subsidiaries to be the Canadian dollar. The Company makes judgements in defining the functional currency based on the economic substance of the transactions relevant to the entity.

*Carrying value and recoverability of exploration and evaluation assets*

The carrying amount of the Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

## 3. REVERSE TAKEOVER TRANSACTION

On August 10, 2020, Tilting Capital Corp ("Tilting") entered into a definitive amalgamation agreement (the "Amalgamation Agreement") with GLR and 1257120 B.C. Ltd., a wholly-owned subsidiary of the Company ("Tilting SubCo"), pursuant to which Tilting SubCo will amalgamate with GLR, and shareholders of GLR will exchange their shares of GLR for shares of the Company on a one-for-one basis through the RTO Transaction.

On October 28, 2020, the RTO Transaction was completed. Under this transaction, Tilting changed its name to Gold Line Resources Ltd. and will carry on the business previously carried on by GLR. The company formerly known as GLR amalgamated with Tilting SubCo and became a wholly-owned subsidiary of the Company and was renamed Gold Line Resources Holdings Ltd. The Company also changed its fiscal year end from September 30 to December 31.

The legal acquisition of Tilting by GLR constitutes as a reverse asset acquisition. In accordance with IFRS 3, Business Combinations, the substance of this transaction is a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since Tilting did not meet the definition of a business under IFRS 3. As a result, the RTO Transaction is accounted for in accordance with IFRS 2, Share-based Payments, as a reverse acquisition with GLR being identified as the accounting acquirer (legal subsidiary) and Tilting being treated as the accounting acquiree (legal parent).

As consideration for 100% of the outstanding shares of Tilting, GLR issued 18,323,191 shares, at a fair value of $0.25 per share, the value of the concurrent financing, on a one for one basis to the shareholders of Tilting. In addition, GLR issued 7,980,400 warrants, in exchange for previously outstanding warrants of Tilting with an average fair value estimated at $0.04 per warrant, using the Black-Scholes model. The assumptions used in the Black-Scholes model included a risk free interest rate of 0.23%, an estimated life of 0.52 to 1.79 years, an expected volatility of 75%, and a dividend yield of 0%. The total consideration of $4,897,182 was allocated first to the fair value of the net assets acquired, with any excess to listing expense as follows:

(Expressed in Canadian dollars)

## 3. REVERSE TAKEOVER TRANSACTION (Continued)

| Consideration | | Amount |
|---|---|---|
| 18,323,191 shares at a value of $0.25 per share | $ | 4,580,798 |
| 7,980,400 warrants at a value of $0.04 per warrant | | 316,384 |
| | $ | 4,897,182 |
| **Net assets of TILTING** | | |
| Cash | $ | 332,483 |
| Amounts receivable | | 25,241 |
| Prepaids and deposits | | 125,000 |
| Deferred transaction and financing costs | | 166,885 |
| Amounts payable and accrued liabilities | | (389,775) |
| Loan payable | | (95,000) |
| Net assets acquired | $ | 164,834 |
| | | |
| Listing expense | $ | 4,732,348 |

## 4. AMOUNTS RECEIVABLE

Amounts receivable as at March 31, 2021 composed of $285,000 related to input tax credits and value added tax receivable (December 31, 2020: $201,498).

## 5. DEPOSIT

In March 2021, the Company paid Agnico $938,475 (US$750,000) as a deposit prior to the completion of the AEM Transaction (Note 13).

(Expressed in Canadian dollars)

## 6. EXPLORATION AND EVALUATION ASSETS

The following tables summarize the capitalized costs associated with the Company's exploration and evaluation assets:

| | Gold Line Project |
|---|---|
| **Acquisition costs:** | |
| Balance, December 31, 2020 | $ 1,359,265 |
| Cash | - |
| Shares issued | - |
| Balance, March 31, 2021 | 1,359,265 |
| **Exploration costs:** | |
| Balance, December 31, 2020 | 1,699,044 |
| Assay | 51,012 |
| Consulting, contractors and general support | 414,337 |
| Geological | 38,776 |
| Drilling | 503,760 |
| Mineral licenses | 159,788 |
| Operator fees | 38,325 |
| Rent | 42,830 |
| Supplies and miscellaneous | 36,992 |
| Travel | 10,534 |
| Balance, March 31, 2021 | 2,995,398 |
| **Total costs:** | |
| Balance, March 31, 2021 | $ 4,354,663 |

| | Gold Line Project |
|---|---|
| **Acquisition costs:** | |
| Balance, December 31, 2019 | $ 261,494 |
| Cash | - |
| Shares issued | 1,097,771 |
| Balance, December 31, 2020 | 1,359,265 |
| **Exploration costs:** | |
| Balance, December 31, 2019 | 538,638 |
| Assay | 117,791 |
| Consulting, contractors and general support | 491,733 |
| Geological | 12,965 |
| Drilling | 51,440 |
| Equipment rentals | 30,927 |
| Mineral licenses | 351,959 |
| Operator fees | 11,420 |
| Supplies and miscellaneous | 48,427 |
| Travel | 43,744 |
| Balance, December 31, 2020 | 1,699,044 |
| **Total costs:** | |
| Balance, December 31, 2020 | $ 3,058,309 |

## 6. EXPLORATION AND EVALUATION ASSETS (Continued)

**Gold Line Project, Sweden**

On April 1, 2019, GLR entered into a purchase and sale agreement (the “Gold Line Agreement”) with Eurasian Minerals Sweden AB (“EMSAB”) and Viad Royalties AB (“VRAB”), two wholly owned subsidiaries of EMX Royalty Corp. (“EMX”), to acquire 13 mineral property licenses in the Gold Line of Northern Sweden (the “Gold Line Project”). The Gold Line Project includes the Långtjärn Property.

In consideration for the Gold Line Project, GLR paid $133,733 (US$101,390) and issued 2,555,210 common shares issued valued at $127,761, representing a 9.9% equity ownership of the Company on a non-diluted basis.

GLR also agreed to issue additional common shares to allow EMX to maintain a 9.9% equity ownership in GLR for no additional consideration until GLR raised an aggregate of $5,000,000 in equity financing (the “Anti-Dilution Right”), after which EMX will have the right to participate pro-rata in future financings at its own cost to maintain its interest in GLR (the “Pre-Emptive Right”).

In October 2020, GLR entered into an agreement among EMX, EMSAB and VRAB (the “Acknowledgement Agreement”). Pursuant to the Acknowledgement Agreement, (a) EMX was issued 4,391,084 shares valued at $1,097,771 at closing of the RTO Transaction (the “EMX Closing Shares”), following which EMX has no further Anti-Dilution Right; (b) the EMX Closing Shares were escrowed until the release conditions have been satisfied, which such conditions have since been satisfied, and the shares released from escrow;(c) following closing of the RTO Transaction, EMX continues to have the Pre-Emptive Right unless and until EMX’s interest in the Company becomes less than 5%; and (d) two Rötjärnen licenses were excluded from the licenses to be acquired, resulting in 11 mineral property licenses acquired under the Gold Line Agreement. Pursuant to an amendment to the Gold Line Agreement as of March 25, 2021, the parties agreed to add the Kattisavan nr 102 license to the Gold Line Project, and in consideration therefor, the Company reimbursed EMSAB for SEK 501,950 in acquisition costs.

Financing Commitments:

Pursuant to the Gold Line Agreement, GLR is committed to raising $600,000 in equity financings on or before October 1, 2019, to fund exploration programs on the Gold Line Project and a further $500,000 by April 1, 2021. As at December 31, 2020, GLR satisfied these financing obligations.

EMSAB Royalty:

In accordance with the Gold Line Agreement, and in respect of the Gold Line Project, GLR entered into a royalty agreement with EMSAB dated April 1, 2019, pursuant to which GLR is required to pay an annual advance royalty (the “Gold Line AAR”) payments of 30 ounces of gold, or its value equivalent in USD or issuance of shares, on or before April 1, 2022, the third anniversary of the closing date. This royalty payment will then increase by 5 ounces per year up to a maximum of 75 ounces of gold per year until commencement of commercial production.

AOI Royalty:

If at any time before April 1, 2024, EMSAB, VRAB or EMX (each, a “Seller Party”) acquires any mineral interest located within the agreed upon area of interest (the “AOI”) surrounding certain of the licenses comprising the Gold Line Project (an “AOI Interest”), then the Seller Party must provide notice to GLR and GLR may elect to acquire the AOI Interest at the same cost that the Seller Party acquired such AOI. If GLR elects to acquire an AOI Interest, then, in exchange for the transfer of title to the AOI Interest, GLR will grant EMSAB a 1.0% net smelter return royalty (“AOI Royalty”) in production from the AOI Interest on the terms and conditions prescribed by the Gold Line Agreement. Additionally, if GLR or any subsidiary or affiliate of GLR (each, a “Buyer Party”) acquires a new mineral exploration license (an “AOI License”) or mineral interest (an “AOI Acquired Interest”) covering properties with an AOI, then the Buyer Party must provide notice to EMSAB and grant EMSAB a 1.0% NSR Royalty in production from

## 6. EXPLORATION AND EVALUATION ASSETS (Continued)

**Gold Line Project, Sweden (Continued)**

AOI Royalty: (Continued)

any AOI License and a 0.25% NSR Royalty in production from any AOI Acquired Interest, in each case on the terms and conditions prescribed by the Gold Line Agreement.

Failure to Comply:

If GLR delivers a relinquishment notice to EMX, fails to make the required payment of royalties or annual advance royalties or, fails to complete the second equity financing and use such amounts to fund the exploration and development of the Gold Line Project within two years, EMX will have the right to demand GLR transfer the Gold Line Project back to EMX for no further consideration.

## 7. FINANCIAL INSTRUMENTS

Financial instruments recognized on the condensed interim consolidated statements of financial position consist of cash, amounts receivable, deposits, and amounts payable and accrued liabilities.

The carrying amounts on the statement of financial position for amounts receivable, deposits, and amounts payable and accrued liabilities approximate their fair values due to the immediate or short-term maturities of these financial instruments.

The Company's other financial instruments, cash, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets.

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at March 31, 2021:

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit risk by placing its cash with high quality financial institutions. The Company's amounts receivable consist of input tax credit refunds from the federal government and as such, the Company believes the risk to be minimal.

(b) Currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables, prepaid expenses, amounts payable and accrued liabilities that are denominated in the Swedish Krona. A 10% fluctuation in the SEK against the Canadian dollar would not result in any material change in loss for the three months ended March 31, 2021.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. As at March 31, 2021, the Company had working capital of $2,962,281, including cash of $1,906,171 to settle current liabilities of $728,821, and may require additional funding to continue operations of the Company's proposed acquisitions (Note 13 and 14) for the next twelve months (Note 1).

**7. FINANCIAL INSTRUMENTS (Continued)**

(d) Interest rate risk

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

(e) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

**8. EQUITY**

*(a) Authorized*

Unlimited number of common shares with no par value.

*(b) Issued and fully paid common shares*

There were no common shares issued during the three months ended March 31, 2021.

<u>Prior to the RTO Transaction</u>

In May 2020, GLR closed a non-brokered private placement consisting of 9,605,000 common shares at a price of $0.10 per share for a gross proceeds of $960,500. The Company paid $16,858 in share issuance costs relating to this financing.

<u>Pursuant to the RTO Transaction</u>

On October 28, 2020, the Company issued 18,323,191 common shares in relation to the RTO Transaction (Note 3).

In October 2020, the Company completed a subscription receipt financing ("Subscription Receipt Financing") and issued 24,013,000 subscription receipts (the "Subscription Receipt") at a price of $0.25 per Subscription Receipt for gross proceeds of $6,003,250. Upon closing of the RTO Transaction, each Subscription Receipt automatically converted into one common share of the Company and one Subscription Receipt Warrant. Each Subscription Receipt Warrant entitles the holder thereof to purchase one additional share at an exercise price of $0.40 per share until October 29, 2022.

Included in share issuance costs are 1,800,000 shares at a price of $0.25 per share at a value of $450,000 issued as finders' fees and 340,000 shares at a price of $0.25 per share at a value of $85,000 issued as advisory fees. Total share issue costs related to the RTO Transaction and Subscription Receipt Financing was $854,810.

In connection with the Gold Line Agreement and pursuant to the RTO Transaction, 4,391,084 shares were issued to EMX at a price of $0.25 per share at a value of $1,097,771 (Note 6).

**8. EQUITY (Continued)**

*(c) Stock options*

The Company has established a rolling Share Option Plan (the "Plan"). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The maximum term of each option shall not be greater than ten years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any three month period. All other options vest at the discretion of the Board of Directors.

During the three months ended March 31, 2021, 100,000 options were exercised for proceeds of $10,000.

During the three months ended March 31, 2021, the Company granted the following incentive stock options:

In March 2021, the Company granted 100,000 incentive stock options to a consultant of the Company pursuant to the Company's stock option plan. The options vested immediately and are exercisable at a price of $0.45 per share until March 25, 2031. Using the Black-Scholes valuation model, the grant date fair value was $34,612, or $0.35 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 1.28%, expected life of 10 years, annualized volatility of 75% and dividend rate of 0.00%.

In January 2021, the Company granted 775,000 incentive stock options to a consultant of the Company pursuant to the Company's stock option plan. The options vested immediately and are exercisable at a price of $0.40 per share until January 12, 2031. Using the Black-Scholes valuation model, the grant date fair value was $239,537, or $0.31 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 0.72%, expected life of 10 years, annualized volatility of 75% and dividend rate of 0.00%.

In January 2021, the Company granted 350,000 incentive stock options to consultants of the Company pursuant to the Company's stock option plan. The options vested immediately and are exercisable at a price of $0.385 per share until January 5, 2031. Using the Black-Scholes valuation model, the grant date fair value was $105,285, or $0.30 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 0.60%, expected life of 10 years, annualized volatility of 75% and dividend rate of 0.00%.

During the year ended December 31, 2020, the Company granted the following incentive stock options:

In October 2020, the Company granted 5,500,000 incentive stock options to directors, officers, employees and consultants of the Company pursuant to the Company's stock option plan. The options vested immediately and are exercisable at a price of $0.25 per share until October 29, 2030. Using the Black-Scholes valuation model, the grant date fair value was $1,059,450, or $0.19 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 0.53%, expected life of 10 years, annualized volatility of 75% and dividend rate of 0.00%.

In April 2020, GLR granted 1,800,000 incentive stock options to directors, officers, employees and consultants of the Company pursuant to the Company's stock option plan. The options are exercisable at a price of $0.10 per share until April 27, 2025. Using the Black-Scholes valuation model, the grant date fair value was $132,951, or $0.07 per option. The following weighted average assumptions were used for the valuation of the share options: risk-free interest rate of 0.31%, expected life of 5 years, annualized volatility of 100% and dividend rate of 0.00%. As at March 31, 2021, 742,500 of these options are held in escrow.

(Expressed in Canadian dollars)

**8. EQUITY (Continued)**

*(c) Stock options (Continued)*

A summary of changes in stock options is presented below:

| | Number of options | | Weighted average exercise price |
|---|---|---|---|
| Balance, December 31, 2019 and March 31, 2020 | - | $ | - |
| Granted | 7,300,000 | | 0.21 |
| Balance, December 31, 2020 | 7,300,000 | | 0.21 |
| Granted | 1,225,000 | | 0.40 |
| Exercised | (100,000) | | 0.10 |
| Balance, March 31, 2021 | 8,425,000 | $ | 0.24 |

The following table summarizes information about the stock options outstanding and exercisable at March 31, 2021:

| Outstanding | Exercisable | Weighted average exercise price | Expiry date |
|---|---|---|---|
| 125,000 | 125,000 | $0.10 | October 29, 2021 |
| 1,575,000 | 832,500 | $0.10 | April 27, 2025 |
| 5,500,000 | 5,500,000 | $0.25 | October 29, 2030 |
| 350,000 | 350,000 | $0.39 | January 5, 2031 |
| 775,000 | 775,000 | $0.40 | January 12, 2031 |
| 100,000 | 100,000 | $0.45 | March 25, 2031 |
| 8,425,000 | 7,682,500 | $0.24 | |

Subsequent to March 31, 2021, the Company granted 405,000 incentive stock options to consultants of the Company pursuant to the Company's stock option plan. The options vested immediately and are exercisable at a price of $0.375 per share until May 26, 2026.

*(d) Warrants*

During the three months ended March 31, 2021, 866,200 warrants were exercised for proceeds of $316,500.

A summary of changes in warrants is presented below:

| | Warrants outstanding | | Weighted average exercise price |
|---|---|---|---|
| Balance, December 31, 2019 and March 31, 2020 | - | $ | - |
| Warrants of TLL upon RTO Transaction (Note 3) | 7,980,400 | | 0.30 |
| Issued | 24,013,000 | | 0.40 |
| Balance, December 31, 2020 | 31,993,400 | | 0.37 |
| Exercised | (866,200) | | 0.37 |
| Balance, March 31, 2021 | 31,127,200 | $ | 0.37 |

(Expressed in Canadian dollars)

## 8. EQUITY (Continued)

*(d) Warrants (Continued)*

Warrants of TLL upon RTO Transaction included 380,400 broker warrants (the "Broker Warrants") issued by TLL in August 2020, with a fair value of $38,579 included in share issuance costs. The fair value of the Broker Warrants issued in connection with the Subscription Receipt Financing was calculated using the Black-Scholes option pricing model with the following assumptions: i) exercise price per warrant of $0.25; ii) expected share price volatility of 75%; iii) risk-free interest rate of 0.26%; iv) expected life of 2 years; v) no dividend yield.

The following table summarizes information about the warrants outstanding and exercisable at March 31, 2021:

| Outstanding and exercisable | Weighted average exercise price | Expiry date |
|---|---|---|
| 7,500,000 | $ 0.30 | May 6, 2021 |
| 247,200 | $ 0.25 | August 12, 2022 |
| 23,380,000 | $ 0.40 | October 29, 2022 |
| 31,127,200 | $ 0.30 | |

Subsequent to March 31, 2021, 2,842,400 warrants were exercised for proceeds of $850,800, and 4,696,000 warrants with an exercise price of $0.30 per warrant expired unexercised.

*(e) Commitment to issue shares*

As at March 31, 2021 and December 31, 2020, the Company had a commitment to issue shares of $30,000 for amounts owing to a consultant to be settled in shares of the Company.

## 9. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprising issued capital stock, equity reserves and deficit.

The Company is not subject to externally imposed capital requirements. The Company does not pay dividends. There were no changes to the Company's capital management strategies during the three months ended March 31, 2020.

## 10. LOAN PAYABLE

During the three months ended March 31, 2021, the Company repaid $95,000 owed to a shareholder of the Company. As at March 31, 2021, there are no loans payable (December 31, 2020, $95,000).

## 11. RELATED PARTY TRANSACTIONS

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. The remuneration of directors and key management personnel during the three months ended March 31, 2021 and 2020 are as follows:

(Expressed in Canadian dollars)

## 11. RELATED PARTY TRANSACTIONS (Continued)

| | Three months ended March 31, **2021** | | 2020 |
|---|---|---|---|
| Consulting and management fees | **$** | **45,000** | $ 25,000 |
| Professional fees | | **-** | 12,000 |
| | **$** | **45,000** | $ - |

There were no amounts owing to directors and key management as at March 31, 2021 and December 31, 2020.

## 12. SEGMENTED INFORMATION

As at March 31, 2021 and December 31, 2020, the Company conducts its business as a single operating segment being exploration activities in Sweden. The Company maintains a head office in Vancouver, British Columbia, Canada. All of the Company's exploration and evaluation assets were derived from Sweden.

## 13. AGNICO EAGLE MINES TRANSACTION

On March 22, 2021, the Company and EMX entered into a definitive agreement (the "AEM Agreement") with Agnico Eagle Mines Limited (NYSE and TSX: AEM; "Agnico") pursuant to which the Company will acquire a 100% interest in Agnico's Oijärvi Gold Project located in central Finland and the Solvik Gold Project located in southern Sweden (the "AEM Transaction"). Agnico will retain a 2% net smelter return ("NSR") royalty on the projects, 1% of which may be purchased at any time by EMX for US$1,000,000.

Consideration for the AEM Transaction is US$10,000,000, comprised of US$7,000,000 in cash, US$1,500,000 in common shares of EMX ("EMX Shares") and US$1,500,000 in common shares of the Company, which shall be paid to Agnico as follows:

| **Date** | **Cash Payments (USD)** | **EMX Shares (USD)** | **Gold Line Shares (USD)** |
|---|---|---|---|
| Upon TSXV approval | $750,000 | $375,000 | $375,000 |
| On the first anniversary of the AEM Agreement | $1,500,000 | $500,000 | $500,000 |
| On the second anniversary of the AEM Agreement | $1,750,000 | $625,000 | $625,000 |
| On the third anniversary of the AEM Agreement | $3,000,000 | - | - |
| **Total** | **$7,000,000** | **$1,500,000** | **$1,500,000** |

As part of the AEM Agreement, EMX will receive cash and share payments from the Company as set out in the table below, as well as the purchase right of 1% of Agnico's 2% NSR royalty.

| **Date** | **Cash Payments (USD)** | **Gold Line Shares Issued to EMX (USD)** | **Total Payable (USD)** |
|---|---|---|---|
| Upon TSXV approval | - | $375,000 | $375,000 |
| On the first anniversary of the AEM Agreement | $250,000 | $250,000 | $500,000 |
| On the second anniversary of the AEM Agreement | $312,500 | $312,500 | $625,000 |

## 13. AGNICO EAGLE MINES TRANSACTION (Continued)

In connection with entering into the AEM Agreement, and upon completion of the AEM Transaction, the Company intends to pay a fee of US$200,000 to be split evenly between two arms-length third-parties who assisted in facilitating the AEM Transaction, and to be satisfied through the issuance of common shares of the Company. All common shares issued in connection with the AEM Transaction will be based on the volume-weighted average price for the 20 trading days prior to the date of issuance, provided that the shares issuable to AEM and EMX upon receipt of TSXV approval, and the shares issuable in connection with the US$200,000 fee, will be issued based on the volume-weighted average price for the 20 trading days prior to the date of the AEM Agreement.

In December 2020, the Company paid Agnico an exclusivity payment of $25,904 (US$20,000).

In March 2021, the Company paid Agnico US$750,000 as a deposit prior to the completion of the AEM Transaction, which is included in the statement of financial position (Note 5).

Completion of the AEM Transaction is subject to customary closing conditions, including the approval by the TSXV.

## 14. SUBSEQUENT EVENTS

**Oijärvi Extension Transaction**

Effective March 25, 2021, the Company entered into an amendment to the Gold Line Agreement with EMSAB and VRAB, two wholly owned subsidiaries of EMX, whereby the Company will acquire all of EMX's exploration license in Finland's Oijärvi Greenstone Belt (the "Oijärvi Extension Project") (the "Oijärvi Extension Transaction").

EMX will receive 1,125,000 common shares of the Company in connection with the Oijärvi Extension Transaction. EMX will also receive an uncapped 3% NSR royalty on the Oijärvi Extension Project. Within six years of the transfer date, the Company can exercise its right to buy down up to 1% of the royalty owed to EMX (leaving EMX with a 2% NSR) by paying EMX 2,500 ounces of gold, or the cash equivalent thereof.

EMX will also receive annual advance royalty (the "Oijärvi Extension AAR") payments of 30 ounces of gold on the Oijärvi Extension Project, commencing on the second anniversary of the closing of the transfer until commencement of commercial production, with each AAR payment increasing by five ounces of gold per year up to a maximum of 75 ounces of gold per year. EMX will have an option to receive the AAR payments in gold bullion, a gold bullion cash equivalent, or a value equivalent in shares of the Company, subject to certain and agreed upon conditions.

The Company will also reimburse EMX for the original acquisition costs incurred for the Oijärvi Extension Project up to a maximum of $30,000.

Completion of the Oijärvi Extension Transaction is subject to customary closing conditions, including the approval of the TSXV.

**Klippen Gold Project**

Effective May 20, 2021, the Company signed a definitive share purchase agreement with Nordic Route Explorations Ltd. ("Nordic") and all of the shareholders of Nordic (collectively, the "Nordic Vendors"), pursuant to which the Company proposes to acquire all of the outstanding share capital of Nordic from the Nordic Vendors. Nordic is a privately held company that, through its wholly-owned subsidiary, controls the Klippen Gold Project ("Klippen"), consisting of an exploration license located in the Kingdom of Sweden (the "Nordic Transaction"). In consideration for all of the outstanding share capital of Nordic, the Company has agreed to issue 7,000,000 common shares of the Company. Completion of the Nordic Transaction is subject to satisfaction of customary closing conditions, including the approval by the TSXV.