

**Havilah Mining Corporation**  
**Condensed Interim Financial Statements**  
**For the period from Incorporation on May 3, 2018 to June 30, 2018**  
**(Expressed in Canadian dollars)**

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

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**HAVILAH MINING CORPORATION**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
*(CDN dollars)*

	<b>June 30, 2018</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 1
Total assets	\$ 1
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued liabilities	\$ 5,000
Total liabilities	5,000
<b>Shareholder's Equity</b>	
Share capital ( <i>Note 4</i> )	1
Accumulated deficit	(5,000)
Total equity	(4,999)
Total liabilities and equity	\$ 1
Subsequent Events (Note 7)	

On behalf of the Board:

/s/ Blair Schultz  
Chairman

/s/ James Haggerty  
Director

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

**HAVILAH MINING CORPORATION**  
**INTERIM STATEMENT OF COMPREHENSIVE (LOSS)**  
**(CDN dollars)**

	<b>Period from incorporation on May 3, 2018 to June 30, 2018</b>
<b>Expenses</b>	
Professional fees	\$ 5,000
<b>Net (loss) and comprehensive (loss)</b>	<b>\$ (5,000)</b>
<b>Loss per share</b>	
Basic and diluted	\$ (5,000)
<b>Weighted average common shares outstanding</b>	<b>1</b>

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

**HAVILAH MINING CORPORATION**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
*(CDN dollars)*

	<b>Period from incorporation on May 3, 2018 to June 30, 2018</b>
<b>Operating activities:</b>	
<b>Net (loss) and comprehensive (loss)</b>	\$ (5,000)
Changes in non-cash working capital	
Accounts payable and accrued liabilities	5,000
	—
<b>Financing activities:</b>	
Share subscription	1
	1
<b>Net increase in cash</b>	1
<b>Cash, beginning of period</b>	—
<b>Cash, end of period</b>	\$ 1

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**HAVILAH MINING CORPORATION**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
*(CDN dollars)*

	Number of shares issued and outstanding	Share capital	Accumulated deficit	Total
<b>Balance at May 3, 2018</b>	—	\$ —	\$ —	\$ —
Shares issued on incorporation <i>(Note 4)</i>	1	1	—	1
Net (loss) and comprehensive (loss)	—	—	(5,000)	(5,000)
<b>Balance at June 30, 2018</b>	1	\$ 1	\$ (5,000)	\$ (4,999)

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

**HAVILAH MINING CORPORATION**  
**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**(ALL AMOUNTS EXPRESSED IN THOUSANDS OF CDN DOLLARS)**

**1. NATURE OF OPERATIONS**

Havilah Mining Corporation ("Havilah" or the "Company") was incorporated under the British Columbia Business Corporations Act on May 3, 2018 in anticipation of an arrangement agreement (the "Arrangement Agreement") Klondex Mines Ltd. ("Klondex") entered into with Hecla Mining Company ("Hecla") and 1156291 B.C. Unlimited Liability Company, a wholly-owned subsidiary of Hecla on March 16, 2018. Under the terms of the Arrangement Agreement, Hecla will acquire all the outstanding common shares of Klondex. As part of the Arrangement Agreement, Klondex shareholders will receive consideration consisting of cash, shares of Hecla common stock, or a combination of cash and Hecla common stock, plus shares of Havilah, formed to hold Klondex's Canadian assets comprised of Klondex Canada Ltd. and Bison Gold Resources, Inc. The Arrangement Agreement terms contain a provision in which Hecla will subscribe for a 13.46% interest in Havilah for US\$7.0 million. The Arrangement Agreement has been approved by the boards of directors of Klondex and Hecla and is subject to the approval of Klondex's shareholders. Havilah's registered office is located at 1055 West Hastings Street, Suite 2200, Vancouver, BC, V6E 2E9.

If the Arrangement Agreement is approved by Klondex shareholders, Havilah will hold Klondex's Canadian assets, which are comprised of Klondex Canada Ltd., which holds the True North gold mine and mill ("True North") and Bison Gold Resources Inc. which holds the Ogama-Rockland properties ("Ogama"), the 10% buy-back rights on the Snow Lake Property, and various early-stage assets located in Manitoba and Ontario, Canada. True North and Ogama were acquired by Klondex on January 22, 2016 and October 19, 2017, respectively, and, as such, the Canadian Spinco of Klondex had no operations or assets prior to 2016. Klondex placed True North into production in the third quarter of 2016 and operations continued until January 9, 2018, when True North was placed on care and maintenance. Ogama is an exploration stage property located approximately 19 miles from True North.

Havilah's ability to settle its existing liabilities and continue as a going concern is dependent upon the Company securing financing through the closing of the Arrangement Agreement and continued support from its current parent company, Klondex.

**2. BASIS OF PRESENTATION**

These condensed interim financial statements have been prepared on a historical cost basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 22, 2018.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Functional and presentation currency**

The functional and presentation currency of the Company is the Canadian dollar.

**b) Financial instrument classification and risks**

In respect of the recognition and measurement of financial instruments, the Company has adopted the following policies:

<b>Accounting classification of the following financial instruments</b>	<b>Other financial liabilities</b>
<b>Measured at amortized cost:</b>	
Accounts payable and accrued liabilities	X

**c) Current and deferred income tax**

The Company follows the liability method of accounting for income taxes. Under the liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, unused tax losses and other income tax deductions. Deferred income tax assets are recognized for deductible temporary differences, unused tax losses and other income tax deductions to the extent that it is probable the Company will have taxable income against which those deductible temporary differences, unused tax losses and other income tax deductions can be utilized.

**HAVILAH MINING CORPORATION**  
**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**(ALL AMOUNTS EXPRESSED IN THOUSANDS OF CDN DOLLARS)**

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the related assets are realized or the liabilities are settled. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover and settle the carrying amounts of its assets and liabilities, respectively. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in the period in which the change is substantively enacted.

**4. SHARE CAPITAL**

The Company is authorized to issue an unlimited number of common shares, without par value. On May 3, 2018, the Company issued one common share upon incorporation to Klondex Mines Ltd.

**5. CAPITAL MANAGEMENT**

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management and definition of capital, the Company considers the items included in shareholders’

equity to be capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure, the Company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

**6. MANAGEMENT OF FINANCIAL RISKS**

The Company relies upon Klondex, its parent company, in managing its capital structure for the period from incorporation to June 30, 2018. The Company’s financial instruments are exposed to the following financial risk:

- a) Liquidity risks associated with the inability to meet obligations as they become due is minimized through its dependence on Klondex. Accounts payable are due within twelve months of the Statement of Financial Position date.

**7. INCOME TAXES**

A reconciliation of current income taxes at statutory rates with the period income tax is as follows:

	<b>May 31, 2018</b>
Net loss before taxes	\$ (5,000)
Statutory tax rate	26.00%
Income tax benefit at statutory rate	(1,300)
Income tax benefits not recognized	1,300
Future income tax recovery	\$ —

The income tax benefit, if any, of these losses have not been recorded in the condensed interim financial statements due to the uncertainty of their recovery.



**HAVILAH MINING CORPORATION**  
**CONDENSED NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
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**8. SUBSEQUENT EVENTS**

- a) On July 20, 2018 the Arrangement Agreement between Klondex and Hecla completed with Hecla acquiring the outstanding common shares of Klondex for approximately US\$153.0 million and 75 million shares of Hecla common shares. In accordance with the Arrangement Agreement, Klondex transferred the wholly owned subsidiaries, Klondex Canada Ltd. (subsequently renamed to Havilah Mining Canada Ltd.) and Bison Gold Resources Inc., to the Company and each shareholder of Klondex received 0.125 of a common share of Havilah. Pursuant to the terms of the Arrangement Agreement, Hecla subscribed for 3,539,332 common shares of Havilah, on a private placement basis, at a price of \$2.61 per share for total proceeds of \$9,242,800. The shares of Havilah were approved for listing on the TSX Venture Exchange ("TSX-V") and commenced trading on July 25, 2018.
- b) On August 7, 2018, the Company, through Havilah Mining Canada Ltd, a wholly owned subsidiary, entered into an asset purchase agreement with 55 North Mining Inc. (formerly SGX Resources Inc.) to acquire all of 55 North's 50% interest in the Tully mining claims and mining lease located in Timmins, Ontario (the "Tully Property") an exploration property in Ontario, bringing the Company's ownership interest to 100% of the Tully Property. Consideration includes a \$200,000 cash payment and a waiver of \$970,552 of outstanding liabilities owing to the Company (previously allowed for). The Company has also agreed to subscribe for 3,333,333 of post-consolidation shares in 55 North at a price \$0.06 per share. The completion of this transaction is subject to the approval of the TSX-V.
- c) On August 7, 2018, the Company announced a non-brokered private placement offering for approximately \$1,000,000 through the issuance of up to 655,000 units ("Units") of the Company, each Unit consisting of one common share of the Company ("Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"), at a price of \$0.36 per Unit, and up to 1,725,000 units ("FT Units") of the Company, with each FT Unit comprised of one Common Share issued on a flow-through basis (within the meaning of the Income Tax Act (Canada), as amended), and one-half of one Warrant, at a price of \$0.42 per FT Unit. Each Warrant will entitle the holder thereof to purchase one additional Common Share at a price of \$0.50 per Common Share for a period of 36 months following the closing of the Offering.
- d) On August 15, 2018, the Company granted 1,540,000 stock options to officers and directors of the Company with an exercise price of \$0.36 and a term of five years. The options vest as to one-third immediately and one-third after the first and second anniversaries of the date of grant.

