# GOLDEN CARIBOO RESOURCES LTD.

## FINANCIAL STATEMENTS
**(Expressed in Canadian Dollars)**

## JUNE 30, 2021

These unaudited condensed interim financial statements of
Golden Cariboo Resources Ltd. for the nine months ended June 30, 2021
have been prepared by management and approved by the Board of Directors.
These unaudited condensed interim financial statements
have not been reviewed by the Company's external auditors.

**GOLDEN CARIBOO RESOURCES LTD.**
STATEMENTS OF FINANCIAL POSITION
AS AT
(Expressed in Canadian Dollars)

| | June 30, 2021 | September 30, 2020 |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash | **$ 156,873** | $ 288,243 |
| Sales tax receivable | **1,223** | 4,282 |
| Subscriptions receivable | **-** | 45,000 |
| Prepaid expense | **8,764** | 5,000 |
| | **166,860** | 342,525 |
| Reclamation bond (Note 4) | **35,000** | 35,000 |
| Deposit (Note 8) | **-** | 119,673 |
| Exploration and evaluation assets (Note 5) | **612,000** | 487,000 |
| | **$ 813,860** | $ 984,198 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current** | | |
| Trade payables (Note 8) | **$ 31,196** | $ 73,841 |
| Accrued liabilities (Note 8) | **45,000** | 13,146 |
| | **76,196** | 86,987 |
| **Shareholders' equity** | | |
| Share capital (Note 6) | **12,638,972** | 12,638,972 |
| Reserve (Note 6) | **1,906,894** | 1,790,894 |
| Deficit | **(13,808,202)** | (13,532,655) |
| | **737,664** | 897,211 |
| | **$ 813,860** | $ 984,198 |

Nature and continuance of operations (Note 1)
Subsequent event (Note 10)

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

**GOLDEN CARIBOO RESOURCES LTD.**
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

| | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Six months ended June 30, 2021 | Six months ended June 30, 2020 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Consulting (Note 8) | **$ 15,000** | $ 15,000 | **$ 46,500** | $ 45,000 |
| Exploration costs (Note 5) | **9,905** | 363 | **11,605** | 78,344 |
| Office and miscellaneous | **1,673** | 529 | **7,995** | 7,560 |
| Management salaries (Note 8) | **12,150** | - | **34,200** | - |
| Professional fees | **8,448** | 3,579 | **38,442** | 19,932 |
| Stock based compensation (Note 6) | **-** | - | **116,000** | - |
| Transfer agent and regulatory fees | **4,652** | 3,313 | **18,679** | 12,971 |
| Travel and promotion | **-** | - | **2,126** | 71 |
| | **(51,828)** | (22,784) | **(275,547)** | (163,878) |
| **OTHER ITEMS** | | | | |
| Gain on sale of investments | **-** | - | **-** | 625 |
| | **-** | - | **-** | 625 |
| **Net and comprehensive loss for the period** | **$ (51,828)** | (22,784) | **(275,547)** | (163,253) |
| **Basic and diluted loss per common share** | **$ (0.00)** | $ (0.00) | **$ (0.01)** | $ (0.01) |
| **Basic and diluted weighted average number of common shares outstanding** | **33,184,013** | 24,850,680 | **33,184,013** | 24,850,680 |

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

**GOLDEN CARIBOO RESOURCES LTD.**
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

| | Share Capital | | | | |
|---|---|---|---|---|---|
| | **Common Shares** | **Amount** | **Deficit** | **Reserve** | **Total Shareholders' Equity** |
| Balance, September 30, 2019 | 24,850,680 | $ 12,162,480 | $ (13,282,589) | $ 1,758,547 | $ 638,438 |
| Net loss for the period | - | - | (163,253) | - | (163,253) |
| Balance, June 30, 2020 | 24,850,680 | $ 12,162,480 | $ (13,445,842) | $ 1,758,547 | $ 475,185 |
| Balance, September 30, 2020 | **33,184,013** | **$ 12,638,972** | **$ (13,532,655)** | **$ 1,790,894** | **$ 897,211** |
| Stock-based compensation (Note 6) | **-** | **-** | **-** | **116,000** | **116,000** |
| Net loss for the period | **-** | **-** | **(275,547)** | **-** | **(275,547)** |
| Balance, June 30, 2021 | **33,184,013** | **$ 12,638,972** | **$ (13,808,202)** | **$ 1,906,894** | **$ 737,664** |

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

**GOLDEN CARIBOO RESOURCES LTD.**
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

| | Six months Ended June 30 2021 | Six months Ended June 30 2020 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net loss for the period | **$ (275,547)** | $ (140,469) |
| Items not affecting cash: | | |
| Gain on sale of investments | **-** | (625) |
| Stock based compensation | **116,000** | - |
| Changes in non-cash working capital items: | | |
| Receivables | **48,059** | (291) |
| Deposits | **119,673** | - |
| Prepaids | **(3,764)** | - |
| Trade payable and accrued liabilities | **(10,791)** | 41,031 |
| **Net cash used in operating activities** | **(6,370)** | (123,138) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Exploration and evaluation asset costs | **(125,000)** | - |
| Deposits refunded | **-** | 100,450 |
| Proceeds from sale of investment, net | **-** | 22,125 |
| **Net cash provided by (used in) investing activities** | **(125,000)** | 122,575 |
| **(Decrease) in cash during the period** | **(131,370)** | (563) |
| **Cash, beginning of period** | **288,243** | 1,837 |
| **Cash, end of period** | **$ 156,873** | $ 1,274 |

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

## 1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in under the *Business Corporations Act* (British Columbia) on September 23, 1987. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company's head office, principal address and registered records office is located at 804 – 750 West Pender Street, Vancouver, British Columbia, Canada V6C 2T7.

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Several conditions cast doubt on the validity of this assumption. The Company has incurred ongoing losses and has an accumulated deficit of $13,808,202 at June 30, 2021. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material. The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. Management plans to raise additional capital to finance operations and acquire mineral properties as needed. The outcome of these matters cannot be predicted at this time. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The outbreak of the novel strain of corona virus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause resource shortages, increased difficulty in raising capital, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

## 2. BASIS OF PRESENTATION

### Statement of Compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

### Approval of the financial statements

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 26, 2021.

## 2. BASIS OF PRESENTATION (continued)

### Newly adopted accounting pronouncements

The Company adopted IFRS 16 on October 1, 2019. IFRS 16 replaced IAS 17 Leases. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The adoption of this standard had no impact on the Company's financial instruments as the Company does not have any leases.

### New or revised accounting standards not yet adopted

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company's financial statements.

### Critical accounting estimates and judgments

The preparation of these 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 financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, 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:

i) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.

ii) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to a significant uncertainty.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. Exploration and evaluation costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Exploration and evaluation assets** (continued)

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

**Decommissioning liabilities**

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of tangible assets**

The Company's tangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

**Share-based payments**

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in reserves is transferred to share capital.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income taxes**

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**Flow-through shares**

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

**Financial instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities under IFRS 9:

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments** (continued)

(i) Classification (continued)

| **Financial asset / liability** | **Classification IFRS 9** |
|---|---|
| Cash | FVTPL |
| Investments | FVTPL |
| Trade payables | Amortized cost |

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(Expressed in Canadian Dollars)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments** (continued)

(iv) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

## 4. RECLAMATION BONDS

The Company has a reclamation bond held in trust by the Ministry of Energy, Mines and Low Carbon Innovation, British Columbia. As at June 30, 2021 and September 30, 2020, the reclamation bonds consisted of a deposit of $35,000 made by the Company for the estimated reclamation liability of the Company's Quenelle Gold Quartz Mine property (Note 5).

## 5. EXPLORATION AND EVALUATION ASSETS

| | |
|---|---|
| Quenelle Gold Quartz Mine property acquisition costs: | |
| Balance at September 30, 2019 | $ 407,000 |
| Acquisition costs | 205,000 |
| Balance at June 30, 2021 and September 30. 2020 | $ 612,000 |

Quenelle Gold Quartz Mine property, B.C.

On May 25th, 2019, the Company signed an option to purchase agreement with Standard Drilling and Engineering Ltd. ("Vendor"), a company controlled by a major shareholder, in which the Company can purchase the Property through the following commitments:

- Issuance of 6,000,000 shares of the Company (issued with a fair value of $300,000) and payment of $27,000 cash (paid) on TSX Venture Exchange approval of the agreement to the vendor of the property;
- Payment of $80,000 cash on or before September 30, 2019 (paid) to the titleholders of the underlying claims;
- Payment of $40,000 cash on or before July 22, 2020 (paid) to the titleholders of the underlying claims
- Payment of $40,000 cash on or before September 30, 2020 (paid) to the titleholders of the underlying claims; and
- Payment of $80,000 cash on or before July 22, 2021 (paid July 16, 2021) to the titleholders of the underlying claims.

The Quenelle Gold Quartz Mine property (the "Property") is made up of 20 mineral claims located in the Cariboo Mining Division of British Columbia, 4 km northeast of Hixon, B.C.

(Expressed in Canadian Dollars)

## 5. EXPLORATION AND EVALUATION ASSETS (continued)

The following is a breakdown of exploration costs expensed to the statements of loss and comprehensive loss during the six months ended June 30, 2021 and 2020:

| Expense | Nine months ended June 30, 2021 | | Nine months ended June 30, 2020 | |
|---|---|---|---|---|
| Field work | $ | 8,289 | $ | 58,234 |
| Assaying | | - | | 12,247 |
| Consulting | | 1,800 | | 7,500 |
| Admin | | 1,516 | | 363 |
| Total: | $ | 11,605 | $ | 78,344 |

## 6. SHARE CAPITAL

**Authorized:** Unlimited common shares without par value

**Issued:**
During the nine months ended June 30, 2021: None

During the year ended September 30, 2020, the following shares were issued:

On August 19, 2020 the Company closed a private placement for 8,333,333 units at a price of $0.06 for total proceeds of $500,000. Each unit consisted of one common share and one-half of one share purchase warrant, with each warrant exercisable for a period of one year at a price of $0.12 per share. Finder's fees paid totaling $10,850 and 180,833 finder's warrants were issued. Finder's warrants are exercisable at a price of $0.12 into one common share for a period of one year. The fair value of finders warrants was estimated at $12,658 using the Black-Scholes Option Pricing Model with the following assumptions: i) exercise price per warrant $0.12; ii) expected share price volatility of 140%; iii) risk free interest rate of 0.26%; iv) no dividend yield, v) expected life of 1.0 years and vi) fully vested on grant.

**Options:**

The Company has a rolling stock option plan (the "Plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant, subject to a minimum exercise price of $0.10 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Option transactions are summarized as follows:

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding and exercisable, September 30, 2019 | 1,885,000 | $ | 0.10 |
| Granted | 600,000 | | 0.10 |
| Outstanding and exercisable, September 30, 2020 | 2,485,000 | $ | 0.10 |
| Granted | 2,700,000 | | 0.10 |
| Expired | (1,885,000) | | 0.10 |
| Outstanding and exercisable, June 30, 2021 | 3,300,000 | $ | 0.10 |

(Expressed in Canadian Dollars)

**6. SHARE CAPITAL** (continued)

As at June 30, 2021, the following options were outstanding:

| Number of options | Exercise price | Expiry dates |
|---|---|---|
| 600,000 | $ 0.10 * | May 19, 2023 |
| 800,000 | $ 0.10 | June 29, 2023 |
| 1,900,000 | $ 0.10 | July 24, 2023 |
| 3,300,000 | $ 0.10 | |

The weighted average price of outstanding options is $0.10 (June 30, 2020 – $0.10) and the weighted average life of outstanding options is 2.02 years (June 30, 2020 – 1.11 years).

* The exercise price of these options was adjusted from $0.05 to $0.10 on August 7, 2020. No stock based compensation expense was recorded.

The stock based compensation expense recognized during the period ended June 30, 2021 $116,000 (June 30, 2021 - $Nil). The weighted average fair value of each stock option granted during the period ended June 30, 2021 was $0.04 (June 30, 2020 - $Nil), calculated using the Black-Scholes Option Pricing Model on the grant date using the following weighted average assumptions:

| | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Risk-free interest rate | 0.23% and 0.19% | - |
| Expected life of option | 2.5 years | - |
| Expected dividend yield | 0% | - |
| Expected stock price volatility | 108% and 118% | - |

**Warrants:**

Warrants transactions are summarized as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Outstanding and exercisable, September 30, 2019 | 5,000,000 | $ 0.075 |
| Issued | 4,347,500 | 0.120 |
| Expired | (5,000,000) | 0.075 |
| Outstanding and exercisable September 30, 2020 and June 30, 2021 | 4,347,500 | $ 0.120 |

The weighted average price of outstanding warrants at June 30, 2021 is $0.12 (June 30, 2020 – $Nil) and the weighted average life of outstanding warrants is 0.14 years (June 30, 2020 – Nil years).

(Expressed in Canadian Dollars)

## 6. SHARE CAPITAL (continued)

As at June 30, 2021, the following share purchase warrants were outstanding:

| Number of warrants | Exercise price | Expiry dates |
|---|---|---|
| 4,166,667 | $ 0.12 | August 19, 2021 * |
| 180,833 | $ 0.12 | August 19, 2021 ** |
| 4,347,500 | | |

* These warrants were subsequently extended to August 19, 2024 (see Note 10).
** These warrants subsequently expired unexercised.

**Reserve:**

The reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, investments and trade payables. Cash and investments have been designated as FVTPL, and trade payables are designated at amortized cost. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments. Cash and investments are valued at level 1 of the fair value hierarchy.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. Credit risk on cash is assessed as low.

b) Interest rate risk

Interest rate risk consists of two components:
(a) To the extent that payments made or received on the Company’s monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company’s monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company’s financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of June 30, 2021. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity. Interest rate risk is assessed as low

(Expressed in Canadian Dollars)

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity issuances. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk and accordingly liquidity risk is assessed as high.

d) Price risk

The Company is exposed to price risk with respect to commodity and 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. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

## 8. RELATED PARTY TRANSACTIONS

a) The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer and Chief Financial Officer:

| | **Nine months ended June 30, 2021** | Nine months ended June 30, 2020 |
|---|---|---|
| Consulting fees | **$ 46,500** | $ 49,500 |
| Management Salary | **34,200** | - |
| Total | **$ 80,700** | $ 49,500 |

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective periods.

b) At June 30, 2021 the long term deposit of $Nil (September 30, 2020 - $119,673) consists of an advance to a company controlled by a significant shareholder. The balance was applied toward a property transactions with this company.

c) Included in accrued liabilities at June 30, 2021 is $45,000 (September 30, 2020 - $Nil) due to an officer. Included in trade payables is $1,752 (September 30, 2019 - $5,139) due to a significant shareholder and $5,326 (September 30, 2020 - $Nil) due to a Company controlled by a significant shareholder. These amounts are unsecured, non-interest bearing with no repayment terms.

d) The Company acquired the Quesnelle Gold Quartz Mine property near Hixon, British Columbia in year ended September 30, 2020 and the Gold Ridge extension to the Quesnelle Gold Quartz Mine property in the current year from a company controlled by a significant shareholder of the Company.

## 8. RELATED PARTY TRANSACTIONS (continued)

e) On December 30, 2020 the Company granted 700,000 options (Note 6) to a Director and an Officer. The stock based compensation on the related party portion of the grant was $35,000. On January 25, 2021 the Company granted 1,300,000 options (Note 6) to Directors and an Officer. The stock based compensation on the related party portion of the grant was $52,000.

## 9. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to help ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the period.

## 10. SUBSEQUENT EVENTS

The expiry date of 4,166,667 warrants was extended to August 19, 2024. The warrants were issued pursuant to a non-brokered private placement with an original expiry date of August 19, 2021. The exercise price remains $0.12 per share.