



PHOENIX
GOLD RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

PHOENIX GOLD RESOURCES CORP.

**(An exploration stage company)
(Formerly Zuri Capital Corp.)**

For the years ended January 31, 2021 and 2020

(Expressed in Canadian dollars)

Independent Auditor's Report

To the Shareholders of **Phoenix Gold Resources Corp.**

Opinion

We have audited the accompanying consolidated financial statements of **Phoenix Gold Resources Corp** (the "Company"), which comprise the consolidated statement of financial position as at January 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2021 and 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company incurred a net loss in the past and currently has an accumulated deficit of \$3,400,826. As stated in Note 2, these events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprise:

- Management's Discussion and Analysis; and

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Nick Miseros.

Toronto, Ontario
May 31, 2021


MS Partners LLP
Licensed Public Accountants

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	January 31, 2021	January 31, 2020
ASSETS		
Current Assets		
Cash	\$ 814,122	\$ -
Other receivables	7,959	-
Prepaid expenses	350,000	-
	<u>1,172,081</u>	<u>-</u>
Mineral Rights (note 4)	1	1
Total Assets	\$ 1,172,082	\$ 1
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 146,403	\$ 1,057,754
Advances from related party (note 5)	10,816	-
Advances from related company (note 5)	-	359,839
Total Liabilities	\$ 157,219	\$ 1,417,593
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share Capital (note 6)	\$ 4,022,639	\$ 1,904,350
Warrants Reserve (note 6)	393,050	-
Deficit	(3,400,826)	(3,321,942)
Total Shareholders' Equity (Deficiency)	1,014,863	(1,417,592)
Total Liabilities and Shareholders' Equity (Deficiency)	\$ 1,172,082	\$ 1

Commitments and Contractual Arrangements (note 7)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Roger Baer"
 Director

"Andrew Lee"
 Director

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

Phoenix Gold Resources Corp.
(An exploration stage company)
(Formerly Zuri Capital Corp.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended January 31, 2021	Year ended January 31, 2020
Revenue	\$ -	\$ -
Expenses		
Management and consulting fees (note 10)	113,808	-
Professional fees	67,958	232,148
Office and administration	39,185	9,375
Filing fees	12,427	23,301
Foreign exchange loss	8,094	513
Exploration	7,989	-
Interest expense (income)	(74)	-
Loss before the undernoted	\$ 249,387	\$ 265,337
Other loss (gain)		
Gain on debt settlements	(170,503)	-
Impairment of mineral rights (note 4)	-	209,999
Impairment of other receivables	-	64,835
Net Loss and Comprehensive Loss	\$ 78,884	\$ 540,171
Weighted Average Number of Shares Outstanding (Note 6)	16,212,662	5,038,986
Earnings (Loss) per Share - Basic and Diluted	\$ (0.00)	\$ (0.11)

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Phoenix Gold Resources Corp.
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Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian dollars)

	Number of Shares	Common Shares	Warrants Reserve	Share-based Payment Reserve	Deficit	Shareholders' Equity (Deficiency)
Balance – January 31, 2019	5,038,986	\$ 1,904,350	\$ -	\$ 276,807	\$ (3,058,578)	\$ (877,421)
Expired option adjustment	-	-	-	(276,807)	276,807	-
Loss for the year	-	-	-	-	(540,171)	(540,171)
Balance – January 31, 2020	5,038,986	\$ 1,904,350	\$ -	\$ -	\$ (3,321,942)	\$ (1,417,592)
Private placements	4,000,000	200,000	-	-	-	200,000
Shares issued for debt settlements	18,346,780	917,339	-	-	-	917,339
Private placements	7,000,000	1,400,000	-	-	-	1,400,000
Warrants valuation – subscription warrants	-	(393,050)	393,050	-	-	-
Share issue cost – in cash	-	(6,000)	-	-	-	(6,000)
Loss for the year	-	-	-	-	(78,884)	(78,884)
Balance – January 31, 2021	34,385,766	\$ 4,022,639	\$ 393,050	\$ -	\$ (3,400,826)	\$ 1,014,863

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

Phoenix Gold Resources Corp.
(An exploration stage company)
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Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended January 31, 2021	Year ended January 31, 2020
Cash provided by (used in):		
Operating Activities:		
Net loss for the period	\$ (78,884)	\$ (540,171)
Adjustments for non-cash items:		
Gain on debt settlements	(170,503)	-
Impairment of mineral rights	-	209,999
Impairment of other receivables	-	64,835
Changes in non-cash working capital items:		
Other receivables	(7,959)	(21,615)
Prepaid expense	(350,000)	-
Accounts payable and accrued liabilities	(183,348)	286,870
Net Cash Used in Operating Activities	(790,694)	(82)
Investing Activities:		
Additions in mineral rights	-	(10,000)
Net Cash Used in Operating Activities	-	(10,000)
Financing Activities:		
Issuance of common shares and warrants – net of issue costs	1,594,000	-
Advances from related party	10,816	-
Advances from related company	-	10,063
Net Cash Provided by Financing Activities	1,604,816	10,063
Net changes in cash	814,122	(19)
Cash – beginning of year	-	19
Cash – end of year	\$ 814,122	\$ -

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Phoenix Gold Resources Corp.
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Notes to the Consolidated Financial Statements
For the years ended January 31, 2021 and 2020
(Expressed in Canadian dollars)

1. Nature and Continuance of Operations

Phoenix Gold Resources Corp. (formerly Zuri Capital Corp. (“Zuri”)) was incorporated on May 2, 2011 under the laws of the province of British Columbia, Canada. Zuri commenced trading on the TSX Venture Exchange as a Capital Pool Company on March 19, 2012. On April 23, 2014, Zuri was acquired by Phoenix Gold Resources Ltd. (“Phoenix”) in a reverse takeover transaction and as a result Zuri carries on the business of Phoenix and continues pursuant to the laws of British Columbia. Hereafter Phoenix and the combined business of Phoenix and Zuri after the date of the RTO are referred to as the “Company” or “PXA”. These consolidated financial statements reflect the financial position, operating results and cash flows of the Company’s legal subsidiary, Phoenix. Effective April 23, 2014, Zuri changed its name to Phoenix Gold Resources Corp. and resumed trading on April 25, 2014 on the TSX Venture Exchange with the trading symbol “PXA”. The Company’s registered address is Suite 1518 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

The Company is a TSX Venture Exchange (“Exchange”) tier 2 listed mineral exploration and development company with its principal business focusing on the acquisition and exploration of the gold mineral rights located in Nevada, USA.

2. Going Concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to a going concern, which assumes the Company will continue to meet its obligations and discharge its liabilities in the normal course of business for the foreseeable future. Different bases of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. As at January 31, 2021, the Company has an accumulated deficit of \$3,400,826 (January 31, 2020 - \$3,321,942) and incurred net losses of \$78,884 (2020 - \$540,171) for the year then ended and working capital of \$1,014,862 (January 31, 2020 – negative working capital of \$1,417,593). The Company has not yet achieved profitable operations and expects to incur further losses in the development of its business.

The outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. Given the continuation of weak investor sentiment and capital market conditions in the Company’s operating environment, there exists an uncertainty as to the Company’s ability to raise additional funds on favorable terms and achieve profitability.

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2. Going Concern (Cont'd)

These conditions indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern. The Company's expenditures on discretionary activities have some scope for flexibility in terms of amount and timing, which can be adjusted accordingly.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be inappropriate, and those adjustments could be material.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Statement of compliance with IFRS

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 31, 2021 the date the Board of Directors approved the consolidated financial statements for issue.

b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost convention using the accrual basis of accounting except for cash flow information.

Presentation of the consolidated statement of financial position differentiates between current and non-current assets and liabilities. The consolidated statement of loss and comprehensive loss is prepared using the functional classification.

These consolidated financial statements include the accounts of Phoenix Gold Resources Corp. and its wholly-owned subsidiaries, Phoenix and Phoenix USA. All intercompany transactions, balances, and unrealized gains and losses on intercompany transactions have been eliminated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of loss and comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

Phoenix Gold Resources Corp.
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Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies (Cont'd)

c) Functional currency translation

i) Functional and presentation currency

Items included in the financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars, which is the reporting parent’s and Phoenix’s functional currency. The functional currency of the reporting parent’s subsidiary, Phoenix USA, is the United States dollar (“USD”).

The financial statements of entities that have a functional currency different from that of the reporting parent’s operations are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position, and income and expenses – at the average rate for the period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation’s functional currency are recognized in the consolidated statement of loss and comprehensive loss.

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Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies (Cont'd)

d) Measurement Uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgements made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

Significant areas requiring the use of estimates and assumptions include accounts payable and accrued liabilities, valuation of share-based payment reserves, warrant reserves, valuation of short-term investments, valuation of mineral rights, and recoverability of deferred tax assets. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the financial statements of a future period could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in loss in the periods in which they become known.

e) Significant accounting judgements

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 3(d)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral rights, determining the smallest group of assets that generates independent cash flow, the interpretation and application of tax laws, the determination of functional currency for the Company and its subsidiaries, and the assumption that the Company will continue as a going concern.

f) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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3. Significant Accounting Policies (Cont'd)

f) Financial instruments (Cont'd)

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments (“IFRS 9”), which supersedes IAS 39 – Financial Instruments: Recognition and Measurement. Application of the Standard is mandatory and it establishes principles for the financial reporting of financial assets and financial liabilities in the Company’s consolidated financial statements. Upon adoption of IFRS 9, the Company completed an assessment of the impact of adopting IFRS 9 and determined that no adjustments to the consolidated financial statements are required as a result of adopting IFRS 9.

The Company classified its financial instruments as follows:

<u>Financial Statement Item:</u>	<u>Classification:</u>	<u>Measurement:</u>
Cash	Amortized Cost	Amortized Cost
Other receivable	Amortized Cost	Amortized Cost
Prepaid expenses	Amortized Cost	Amortized Cost
Accounts payable and accrued liabilities	Amortized Cost	Amortized Cost
Advances from related party	Amortized Cost	Amortized Cost
Advances from related company	Amortized Cost	Amortized Cost

The Company does not have any held-to-maturity investments or available-for sales financial assets.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs that are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique that are not based on observable market data in determining fair values of the instruments.

Transaction costs for financial liabilities classified as amortized costs are applied against these liabilities and amortized using the effective interest method, the resulting amortization being recorded as interest expense. Gains and losses on financial instruments classified as Fair Value through Profit or Loss are included in net earnings in the period in which they arise.

Phoenix Gold Resources Corp.
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Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies (Cont'd)

g) Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. An impairment loss on an available for sale financial asset or fair value through profit or loss financial asset is calculated by reference to its fair value. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. The amount of the impairment is recognized in net loss.

Impairment losses on financial assets carried at amortized cost may be reversed in subsequent periods if the amount of the loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized. Financial assets measured at amortized cost and available for sale financial assets that are debt securities are reversed through profit and loss. For available for sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

h) Revenue recognition

Revenue will be recorded when consideration is received or receivable and will be recognized to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

Interest income will be recognized as it accrues.

i) Other Comprehensive income or loss

Other comprehensive income or loss is the change in equity of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive loss in its statement of loss and other comprehensive loss and its statement of changes in deficiency.

Phoenix Gold Resources Corp.
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3. Significant Accounting Policies (Cont'd)

j) Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

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3. Significant Accounting Policies (Cont'd)

k) Non-monetary transactions

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

l) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflects the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculations as the effect would be anti-dilutive.

m) Identifiable intangible assets

The Company is in the exploration stage and defers all expenditures related to its acquired mineral rights until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

i) Pre-Exploration

Pre-exploration costs in areas where a legal right to explore has not been obtained are expensed as incurred.

ii) Exploration and evaluation expenditures

Exploration and evaluation ('E&E') costs incurred after the legal right to explore is obtained, but before technical feasibility and commercial viability of the project has been demonstrated are capitalized as E&E assets. These include the costs of acquiring the licenses and directly attributable general and administrative costs. All applicable costs are capitalized as either tangible or intangible E&E assets depending on the nature of the assets acquired. The costs are accumulated in cost centers by exploration area.

iii) Development and production costs

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all E&E costs attributable to that area are reclassified to construction in progress within property, plant and equipment or as intangible assets depending on the nature of the expenditure. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method following the commencement of production.

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3. Significant Accounting Policies (Cont'd)

n) Impairment of non-financial assets

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

A CGU recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Industry specific indicators for an impairment review on mineral rights and capitalized exploration related expenditures arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.

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Notes to the Consolidated Financial Statements
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3. Significant Accounting Policies (Cont'd)

o) Restoration, rehabilitation and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant, other site preparation work, and water and soil management, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value of the liability. These costs are charged against profit or loss over the economic life of the related assets, through amortization using either the unit-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as at January 31, 2021.

p) Share-based payments

The Company from time to time may issue shares or options to its directors, officers, consultants and employees. The Company values share-based payments using the fair-value method of the services provided. For stock options issued to its directors, officers, consultants and employees where the value of the services provided cannot be determined or the options are provided for services already provided to the Company, the Company values stock-based compensation by reference to the fair value of the stock options issued, utilizing the Black-Scholes option pricing model. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase to share-based payment reserve.

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3. Significant Accounting Policies (Cont'd)

p) Share-based payments (Cont'd)

Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as share-based payment reserve. An individual is classified as an employee when they are an employee for legal purposes, or primarily performing services similar to the services that would be provided by a legal employee.

q) New accounting standards and recent pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IAS 37, PROVISIONS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS

The amendments clarify when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. – costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

The Company is currently evaluating the impact that the new and amended standards will have on its consolidated financial statements and expects no material impact upon applying the amendments to IAS 37.

4. Mineral Rights

On July 9, 2013, Phoenix issued 500,000 common shares to Americas Gold Exploration Inc. ("AGEI"), at \$0.10 per share in order to acquire a 50% right, title and interest to the Plumas Property and 100,000 common shares to William Matlack ("Matlack") at \$0.10 per share as consideration for a 20-year renewable lease entered into for the remaining 50% right, title and interest to the Plumas Property. Matlack has the option to convert the lease payments into a 1% net smelter return royalty on the property and the Company has the right to buy back this option by paying Matlack \$1,278,000 (US\$1,000,000).

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4. Mineral Rights (Cont'd)

The Plumas Property consists of two patented lode mining claims with extra lateral rights (40 acres) and one patented mill site claim (8.5 acres) situated in Battle Mountain, Lander County, Nevada, USA.

Phoenix acquired a 50% right, title and interest to the Eldorado Property for a total payment of \$138,947 (US \$105,000) and in consideration of Phoenix assuming all of the obligations of AGEI.

The Eldorado Property consists of one patented lode mining claim (20 acres) named Eldorado situated in Battle Mountain, Lander County, Nevada, USA.

The Company's management determined that the mineral rights are impaired as of January 31, 2020 and recognized an impairment loss of \$209,999.

The cumulative costs incurred on the Company's mineral rights are as follows:

	January 31, 2021	January 31, 2020
	\$	\$
Opening balance	1	200,000
Incurring during the year	-	10,000
Impairment charges recognized during the year	-	(209,999)
Closing balance	1	1

5. Advances from Related Party/Company

As of January 31, 2021, the Company had advances from an officer and director of the Company, in the amount of \$10,816 (2020 - \$nil). The advances are non-interest bearing, unsecured, and have no fixed term of repayment.

As of January 31, 2021, the Company had advances from a related company, which is owned and controlled by an officer and director of the Company, in the amount of \$nil (2020 - \$359,839). The advances are non-interest bearing, unsecured, and have no fixed term of repayment.

6. Share Capital

During the year ended January 31, 2020, the Company approved the consolidation of all issued and outstanding common shares of the Company on the basis of one post-consolidation common share for every seven pre-consolidation common shares. The common shares of the Company began trading on a consolidation-adjusted basis on the TSX Venture Exchange when the market opened on April 3, 2019.

All share data and equity-based instruments have been retroactively adjusted to give effect to the consolidation.

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6. Share Capital (Cont'd)

a) *Authorized*

Unlimited number of common shares.

IFRS 2 recommends that an entity shall measure any equity-settled share-based payment transactions directly at the fair value of the goods or services received. The Company issued warrants and options as part of the private placements and compensation payments to agents and brokers. The Company determined that the fair value of services received is not reliably measurable because the warrants attached to these transactions are not from the result of any services purchased by the Company. Also, fair value of services from agents and brokers are not reliably determinable because there is no similar open market for the services they provide, and the compensation is not based on a fixed market rate, but rather subject to negotiation by management. Lastly, it is common for exploration stage companies to provide share-based compensation as part of its equity and debt transactions in addition to a cash component. As such management determined that the fair value of warrants rather than the fair value of services received should be used to determine the fair value of share-based transactions.

b) *Issued and outstanding*

Issued common shares are as follows:

	Number of shares	Amount
Balance – January 31, 2019 and 2020	5,038,986	\$ 1,904,350
Private placement (i)	4,000,000	200,000
Shares issued for debt settlements (ii)	18,346,780	917,339
Private placement (iii)	7,000,000	1,400,000
Warrants valuation – subscription warrants (iii)	-	(393,050)
Share issue cost (iii)	-	(6,000)
Balance – January 31, 2021	34,385,766	\$ 4,022,639

- (i) On July 31, 2020, the Company issued 4,000,000 common shares of the Company at a price of \$0.05 per common share for gross proceeds of \$200,000.
- (ii) On August 18, 2020, the Company issued 18,346,780 common shares of the Company at a price of \$0.05 per common share to settle \$917,339 in advances and payables to the companies controlled by officers and director of the Company.
- (iii) On December 18, 2020, the Company issued 7,000,000 units of the Company at a price of \$0.20 per unit for gross proceeds of \$1,400,000. Each unit is comprised of one common share and one-half common share purchase warrants. Each whole warrant is exercisable at a price of \$0.50 per share if exercised within the first 12 months, and at \$0.75 per share after 12 months but within 24 months following the closing date. The Company incurred a cost of \$6,000 in cash related to the financing.

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6. Share Capital (Cont'd)

c) *Warrants Reserve*

The following is a summary of the changes in the Company's warrants during the periods:

	Exercise price	Number	Amount
Balance – January 31, 2019 and 2020	\$ -	-	\$ -
Subscription warrants issued on December 18, 2020 (i)	\$0.50 - \$0.75	3,500,000	393,050
Balance – January 31, 2021		3,500,000	\$ 393,050

The fair value of warrants have been estimated using the Black-Scholes option pricing model with the following assumptions:

(i) expected dividend yield – 0%; expected volatility – 214% to 276%; risk-free interest rate – 0.24%; expected life – 2 years.

7. Commitments and Contractual Arrangements

As at January 31, 2021, the Company had the following contractual arrangements and commitments in place for the provision of certain services:

a) As part of the letter of agreement entered into with AGEI and Matlack on July 9, 2013 and as amended on October 29, 2013, December 16, 2013, January 21, 2014, and February 21, 2014 for the acquisition of certain patented mineral claims in Nevada, comprised of the Eldorado Property, the Plumas Property (collectively, the "Phoenix Gold Properties"), the Company has the following commitment:

(i) As part of the lease of the Plumas Property describe in note 4, the Company is required to make annual payments of \$44,730 (US\$35,000) on each anniversary date of April 23, 2014 for a period of 20 years. Future minimum lease payments are as follows:

2021	\$	44,730
2022		44,730
2023		44,730
2024		44,730
2025		44,730
Thereafter		<u>670,950</u>
Total	\$	894,600

The Company is currently in default of the Plumas Lease for failure to pay the 2015, 2016, 2017, 2018, 2019, and 2020 payment amounts under the terms of the lease and if the Company remains in default, Matlack may terminate the lease resulting in a loss of a 50% leasehold interest in the Plumas Property. The Company currently does not have sufficient funds to allocate for lease payments under the Plumas Lease.

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7. Commitments and Contractual Arrangements (Cont'd)

- b) On April 13, 2019, the company entered into a binding letter of intent with Fox Automotive Switzerland AG, pursuant to which the Company will acquire all issued and outstanding shares in the capital of Fox, subject to approval of the shareholders of the Company and the TSXV. On April 29, 2020, the letter of intent with Fox was terminated since the proposed transaction was not completed in the time allowed under the letter of intent.
- c) On August 18, 2020, the Company settled \$963,127 owing to officers and director of the Company by issuing 18,346,780 shares at a deemed price of \$0.05 per share as further described in note 10.
- d) On August 25, 2020, the Company negotiated and settled a total of \$142,028 in accounts payable owing to third party creditors of the Company by making one time cash payments in the total amount of \$17,313. The Company recognized a gain on debt settlement of \$124,715 on this transaction.

8. Capital Management

As at January 31, 2021, the capital structure of the Company consists of equity attributable to common shareholders and includes share capital of \$4,022,639 (2020 - \$1,904,350), warrants reserve of \$393,050 (2020 - \$nil), and deficit of \$3,400,826 (2020 - \$3,321,942).

The Company's objective when managing capital structure is to ensure sufficient financial resources exist to meet the Company's strategic exploration and business development objectives, and to ensure that the Company continues as a going concern.

9. Segmented Information

The Company operates in one reportable segment. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

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10. Related Party Transactions

The Company considers its Board of Directors and certain consultants which, by virtue of the contracts in place and the functions performed, to be key management. Compensation awarded to key management is listed below:

	Year ended January 31, 2021	Year ended January 31, 2020
Management and consulting fees	\$ 62,500	\$ -
Total	\$ 62,500	\$ -

For the year ended January 31, 2021, the Company paid or accrued management fees of \$40,000 (2020 - \$nil) to a company controlled by an officer of the Company, and management and consulting fees of \$22,500 (2020 - \$nil) to an officer and director of the Company.

Accounts payable and accrued liabilities consists of \$2,692 (January 31, 2020 - \$233,288) owing to a company controlled by an officer of the Company, and \$nil (January 31, 2020 - \$267,710) owing to an officer and director of the Company.

On August 18, 2020, the Company issued 3,750,000 shares at a deemed price of \$0.05 per share to settle \$233,288 in accounts payable owing to a company controlled by an officer of the Company. The Company recognized a gain on debt settlement of \$45,788 on this transaction.

On August 18, 2020, the Company issued a total of 14,596,780 shares at a deemed price of \$0.05 per share to settle \$359,839 in advances from a company controlled by an officer and director of the Company, and \$370,000 in accounts payable owing to an officer and director of the Company.

These transactions are in the normal course of operations and at the exchange amount agreed to by the related parties.

11. Income Taxes and Deferred Income Tax

In assessing the realization of the Company's deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

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11. Income Taxes and Deferred Income Tax (Cont'd)

a) Deferred income tax assets and liabilities

No deferred tax asset has been recognized as the Company is reflecting uncertainties associated with realization of all deferred income tax assets.

The significant components of the Company's deferred tax assets are as follows:

	January 31, 2021	January 31, 2020
Non-capital losses carried forward	\$ 753,500	\$ 732,500
Financing fees deductible in future periods	-	-
Exploration and development expenses	246,704	244,547
Deferred tax assets not recognized	(1,000,204)	(977,047)
Deferred income tax assets	\$ -	\$ -

b) Losses

As at January 31, 2021, the Company can carry forward Canadian non-capital losses to reduce taxable income in future years of approximately \$2,790,740 expiring as follows:

Year 2032	\$ 31,000
Year 2033	\$ 68,000
Year 2035	\$ 719,000
Year 2036	\$ 664,000
Year 2037	\$ 363,000
Year 2038	\$ 212,000
Year 2039	\$ 190,000
Year 2040	\$ 410,000
Year 2041	\$ 133,740

c) Income tax reconciliation

	January 31, 2021	January 31, 2020
Income tax (expense) recovery at 27% statutory rate (2020 – 27%)	\$ 21,000	\$ 146,000
Expenses not deductible for tax purposes	-	-
Temporary differences	(15,000)	(17,000)
Tax losses for which no deferred tax asset was recognized	(6,000)	(129,000)
Deferred income tax assets	\$ -	\$ -

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12. Financial Instruments

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. process) or indirectly (i.e. derived from process); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets and liabilities at fair value through profit or loss, consisting of cash, is classified as level 1.

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

Fair value

As at January 31, 2021, the Company's financial instruments consist of cash, other receivables, prepaid expenses, accounts payable and accrued liabilities, advances from related party, and advances from related company. These financial instruments are classified as other financial liabilities and are carried at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company takes steps to ensure that it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations.

The Company intends to issue equity to ensure the Company has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs.

Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company has credit risk with its other receivables and prepaid expenses, but it is considered to be minimal. There is no allowance for doubtful accounts recorded as at January 31, 2021.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, commodity and equity prices.

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12. Financial Instruments (Cont'd)

(i) Interest rate risk

The Company is not exposed to the risk that the value of financial instruments will change due to movement in market interest rates.

(ii) Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has a portion of its cash and accounts payable and accrued liabilities in US Dollars and Australian Dollars.

For the year ended January 31, 2021, a 5% increase or decrease on an annualized basis in the value of a Canadian Dollar in relation to the US Dollar and Australian Dollar would have resulted in a \$18,712 (2020 - \$14,682) and \$1,021 (2020 - \$923) increase or decrease in foreign exchange gain or loss, for respective foreign currencies.

(iii) Commodity 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, particularly as they relate to base metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

13. Subsequent Events

- a) On February 19, 2021, the Company engaged Wallace Hill Partners Ltd. ("Wallace Hill") for advertising/marketing services. The Company paid US\$273,315 (C\$350,000) to Wallace Hill in advance for a service term of 24 months starting from March 15, 2021.
- b) On February 19, 2021, the Company engaged Gold Standard Media LLC ("Gold Standard") for investor relations services. The Company paid US\$350,000 (C\$441,105) to Gold Standard in advance for a service term of 24 months starting from March 15, 2021.
- c) On February 26, 2021, the Company entered into an option agreement with WBN Prospecting Group to acquire a 100% interest in the York Harbour Property ("York Harbour" or the "Property"), consisting of five mineral licences and 156 mineral claims totalling 3,900 hectares. The property is located 27km west of the city of Corner Brook, Newfoundland and is accessible by a provincial highway (Route 450). The Company made a cash payment of \$95,000 and issued 1,485,557 shares of the Company as part of this transaction.

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13. Subsequent Events (Cont'd)

- d) On March 29, 2021, the Company retained Integral Wealth Securities Ltd. (“Integral”) to provide market-making services in accordance with the policies of the TSX Venture Exchange. In consideration of the services provided by Integral, the Company will pay integral a monthly fee of \$5,500, plus any reasonable costs and expenses it incurs in connection with the services provided. The Company has retained Integral for an initial three months term and thereafter may be terminated by the Company upon 30 days’ written notice.
- e) On March 31, 2021, the Company completed a non-brokered private placement to raise \$1,000,000 by issuing 2,500,000 units of the Company at a price of \$0.40 per unit. Each unit is comprised of one common share and one full warrant of the Company. Each warrant is exercisable at a price of \$0.60 per share for the 24 months from the date of issuance.
- f) On April 12, 2021, the Company signed a Letter of Intent (LOI) with ENE-MIN Development Corp. for an exclusive option to acquire up to 75% interest in the LiBeGa Lithium Project, comprising adjoining perimeters (concessions or mineral claims) covering a total of 27km² in Sibiu County, Romania (the “Property”). Pursuant to the LOI, the Company paid a refundable \$250,000 good faith due diligence deposit and has initiated an exclusive comprehensive confidential evaluation of the Project.