BLUE LAGOON RESOURCES INC.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended June 30, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Blue Lagoon Resources Inc. (the "Company") have been prepared by management in accordance with International Financing Reporting Standards ("IFRS"). These condensed consolidated interim financial statements, which are the responsibility of management, are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors have reviewed and approved these condensed consolidated interim financial statements. In accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators, the Company's independent auditors have not performed a review of these condensed consolidated interim financial statements.

BLUE LAGOON RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
As at
(Expressed in Canadian dollars)
(Unaudited)

	Note		June 30, 2023		March 31, 2023
ASSETS					
Current assets					
Cash		$	646,210	$	1,056,756
Receivables	5		65,655		139,473
Prepaid expenses			33,176		44,511
Investment in marketable securities	7		192,000		955,500
Total Current Assets			937,041		2,196,240
Non-current assets					
Reclamation deposits	6		661,312		649,644
Security deposits			12,534		12,534
Long-term investments	7		48,000		409,500
Exploration and evaluation assets	6		20,087,567		20,137,567
Total Assets		$	21,746,454	$	23,405,485
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	11	$	274,468	$	254,600
Non-current liabilities					
Long-term accounts payable	8		1,729,933		1,729,933
Asset retirement obligation	10		2,552,329		2,533,968
Total Liabilities			4,556,730		4,518,501
Equity					
Share capital	13		45,636,506		45,636,506
Obligation to issue shares	8, 13		2,271,767		2,271,767
Reserves	13		4,570,868		4,570,868
Deficit			(35,289,417)		(33,592,157)
Total Equity			17,189,724		18,886,984
Total Liabilities and Equity		$	21,746,454	$	23,405,485

Nature of operations and going concern (Note 1)

Approved for issuance on behalf of the Board of Directors on August 29, 2023:

"Rana Vig"
Director

"Gurdeep Bains"
Director

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

BLUE LAGOON RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)
(Unaudited)

		For the three months ended,	
	Note	**June 30, 2023**	**June 30, 2022**
Expenses			
General and administrative expenses		$ 40,142	$ 53,095
Consulting fees	11	36,700	95,611
Exploration expenses		438,411	1,142,691
Marketing		3,904	263,005
Professional fees		42,644	23,024
Stock-based compensation	13	-	43,250
Total Operating Expenses		(561,801)	(1,620,676)
Other Items			
Accretion	9, 10	(18,361)	(12,752)
Interest income		7,902	17,356
Fair value gain (loss) on marketable securities	7	(1,125,000)	352,500
Gain on sale of marketable securities	7	-	136,555
Flow-through premium recovery	12	-	195,884
Loss and comprehensive loss		$ (1,697,260)	$ (931,133)
Basic and diluted loss per share		$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding (basic and diluted)		101,355,960	101,052,256

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

BLUE LAGOON RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)
(Unaudited)

	Number of shares	Share capital	Obligation to issue shares	Reserves	Deficit	Total shareholders' equity
		$	$	$	$	$
Balance, March 31, 2022	**98,207,110**	**43,937,037**	**2,271,767**	**4,495,247**	**(21,378,506)**	**29,325,545**
Non-flow through shares issued in private placement	2,753,636	1,514,500	-	-	-	1,514,500
Share issuance costs – cash	-	(48,400)	-	-	-	(48,400)
Share issuance costs – warrants	-	(22,784)	-	22,784	-	-
Exercise of warrants	395,214	256,153	-	(58,546)	-	197,607
Stock-based compensation	-	-	-	43,250	-	43,250
Loss	-	-	-	-	(931,133)	(931,133)
Balance, June 30, 2022	**101,355,960**	**45,636,506**	**2,271,767**	**4,502,735**	**(22,309,639)**	**30,101,369**
Balance, March 31, 2023	**101,355,960**	**45,636,506**	**2,271,767**	**4,570,868**	**(33,592,157)**	**18,886,984**
Loss	-	-	-	-	(1,697,260)	(1,697,260)
Balance, June 30, 2023	**101,355,960**	**45,636,506**	**2,271,767**	**4,570,868**	**(35,289,417)**	**17,189,724**

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

BLUE LAGOON RESOURCES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
(Unaudited)

		For the three months ended,		
		June 30, 2023		**June 30, 2022**
Cash flows used in operating activities				
Loss for the period	**$**	(1,697,260)	**$**	(931,133)
Items not involving cash:				
Stock-based compensation		-		43,250
Accretion expense		18,361		12,752
Interest income		(4,261)		(2,951)
Gain on sale of marketable securities		-		(136,555)
Fair value gain on marketable securities		1,125,000		(352,500)
Flow-through premium recovery		-		(195,884)
Changes in non-cash working capital:				
Receivables		66,411		(48,740)
Prepaid expenses		11,335		(250,718)
Accounts payable and accrued liabilities		19,868		(221,460)
Net cash used in operating activities		(460,546)		(2,083,939)
Cash flows provided by (used in) investing activities				
Renewal of reclamation deposit		-		(7,000)
Proceeds from sale of marketable securities		-		146,555
Acquisition of marketable securities		-		(150,000)
Proceeds on the option of exploration and evaluation asset		50,000		-
Exploration and evaluation assets		-		(310,000)
Net cash provided by (used in) investing activities		50,000		(320,445)
Cash flows provided by financing activities				
Proceeds from issuance of shares in private placements		-		1,514,500
Proceeds from exercise of warrants		-		197,607
Share issue costs		-		(48,400)
Net cash provided by financing activities		-		1,663,707
Change in cash		(410,546)		(740,677)
Cash, beginning		1,056,756		8,688,697
Cash, ending	**$**	646,210	**$**	7,948,020
Supplemental cash flow information:				
Non-cash transactions:				
Amounts reclassified from reserves to share capital upon the exercise of warrants and stock options (Note 13)	$	-	$	58,546
Warrants issued for finders' fees (Note 13)	$	-	$	22,784
Reclamation deposit interest reinvested	$	11,668	$	-

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

1. NATURE OF OPERATIONS AND GOING CONCERN

Blue Lagoon Resources Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on March 17, 2017. The Company is in the business of acquiring, exploring, and evaluating mineral resource interests in Canada. The address of the Company's registered office is Suite 1200, 750 West Pender Street, Vancouver, British Columbia. The Company's common shares trade on the Canadian Securities Exchange under the stock symbol "BLLG" and in the United States on the OTCQB under the symbol "BLAGF."

These condensed consolidated interim financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of the business for the foreseeable future. The continuing operations of the Company are dependent upon obtaining, in the short term, the necessary financing to meet the Company's operating and mineral property commitments as they come due and to finance future exploration and development of potential business acquisitions, economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, and upon future profitable production. There is no assurance that the Company will be able to obtain such financing or obtain financing on favorable terms. As at June 30, 2023, the Company had working capital of $662,573; however additional financing will be required in the next 12 months. These factors indicate the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not reflect adjustments to the carrying values of assets and liabilities or the reported expenses and statement of financial position classifications that would be necessary should the going concern assumption be deemed to be inappropriate. Such adjustments could be material.

In March of 2020, the World Health Organization declared an outbreak of COVID-19 Global pandemic. The COVID-19 outbreak has impacted a vast array of businesses through the restrictions put in place by most governments internationally, including the Canadian federal government as well as provincial and municipal governments, regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown to what extent the impact of the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place world-wide to fight the virus. While the extent of the impact is unknown, the COVID-19 outbreak may hinder the Company's ability to raise financing for exploration or operating costs due to uncertain capital markets, supply chain disruptions, increased government regulations and other unanticipated factors, all of which may also negatively impact the Company's business and financial condition.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 29, 2023.

2. BASIS OF PREPARATION (Continued)

Basis of Measurement and Consolidation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise indicated. The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates**.**

It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial statements are disclosed in Note 4.

These condensed consolidated interim financial statements incorporate the accounts of the Company and its controlled subsidiaries, from the date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company's wholly owned subsidiaries include, ASIC Mining Inc. ("ASIC") (a Canadian corporation), Metal Mountain Resources Inc. (a Canadian corporation), which holds 100% interest in Lloyd Minerals Inc. (a Canadian corporation), and 100% interest in Gavin Mines Inc. (a Canadian corporation) whose principal place of business is British Columbia. The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of the acquisition. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed by the Company are set out in Note 3 to the audited annual consolidated financial statements for the year ended March 31, 2023 and have been consistently followed in the preparation of these condensed consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future years, if the change affects both.

In preparing these condensed consolidated interim financial statements, the significant estimates and critical judgements were the same as those applied to the audited annual consolidated financial statements for the year ended March 31, 2023.

(Expressed in Canadian dollars)

5. RECEIVABLES

Receivables are composed of the following amount:

		June 30, 2023		March 31, 2023
GST receivable	$	41,112	$	107,524
Other		24,543		31,949
	$	**65,655**	**$**	**139,473**

6. EXPLORATION AND EVALUATION ASSETS

	Pellaire Gold Property	***Dome Mountain Mine***	***Big Onion Project***	***Total***
	$	***$***	***$***	***$***
Balance, March 31, 2022	**5,584,354**	**18,254,512**	**700,000**	**24,538,866**
Acquisition costs – cash	-	150,000	-	150,000
Asset retirement obligation – change in estimate	102,000	1,033,055	-	1,135,055
Impairment of exploration and evaluation assets	(5,686,354)	-	-	(5,686,354)
Balance, March 31, 2023	**-**	**19,437,567**	**700,000**	**20,137,567**
Cash received per option agreement with Gama	-	-	(50,000)	(50,000)
Balance, June 30, 2023	**-**	**19,437,567**	**650,000**	**20,087,567**

Golden Wonder Property

On April 18, 2019, the Company entered into an agreement to purchase a 100% interest in the Golden Wonder Property located in British Columbia, Canada by:

- Payment of $15,000 (paid) on execution of the agreement,
- Payment of $10,000 (paid) within three days of the final receipt of the prospectus; and
- Issuance of 200,000 common shares (issued) within 10 business days of the Company commencing trading on the Canadian Securities Exchange.

On July 16, 2019, the Company executed on its rights to purchase 100% interest in the Golden Wonder Property.

On February 2, 2021, the Company entered into an agreement with Gama Explorations Inc. ("Gama"), whereby the Company sold its 100% interest in the Golden Wonder Property for consideration of:

- $50,000 in cash (received);
- 1,000,000 common shares of Gama (received) (Note 7); and
- 0.5% net smelter return royalty.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

On November 12, 2021, the Company and Gama agreed to terminate the sale of the Golden Wonder Property. Pursuant to the termination agreement, the Company and Gama agreed to apply the consideration previously exchanged of $50,000 and 1,000,000 common shares of Gama to the option for purchase of an alternate property from the Company. On December 6, 2021, this consideration was applied to an option agreement related to the Big Onion project (described below).

During the year ended March 31, 2022, the Company recorded an impairment with respect to the Golden Wonder Property resulting in a carrying value of $nil on the basis that the Company does not intend to further advance the property.

Pellaire Gold Property

During the year ended March 31, 2021, the Company exercised its option to acquire the 100% interest in the Pellaire Gold Property, located in the Clinton Mining Division of British Columbia.

The seller retains a 2.5% net smelter royalty interest ("NSR"). The Company has the right to purchase 2% of the NSR for US$1,000,000 at any time prior to commencement of commercial production, which if exercised would leave the vendor with a 0.5% NSR.

During the year ended March 31, 2023, the Company purchased a reclamation bond in the amount of $7,000 with respect to the Pellaire Gold Property. The Company recorded an impairment loss of $5,686,354 with respect to the Pellaire Gold Property during the year ended March 31, 2023, on the basis that the Company does not intend to further advance the property.

Dome Mountain Mine Group

On March 27, 2020, the Company acquired Dome Mountain Mine group of properties and Big Onion Project, both located near the town of Smithers in northwest British Columbia from the acquisition of Metal Mountain Resources Inc.

In addition, the Company acquired a 0.25% NSR in the Dome Mountain project in consideration for $75,000 (paid).

The Company holds a reclamation deposit of $600,000 related to the Dome Mountain Mine. As at June 30, 2023, the accrued interest on the reclamation deposit of $19,312 (March 31, 2023 - $7,644) was re-invested into the reclamation deposit's principal amount.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

The Company owns 100% interest in the following mineral properties of the Dome Mountain Mine Group:

- Dome Mountain Project
    - Upon the property commencing production, the Company agreed to pay an NSR of 2%, or not less than $40,000 per annum. In the event that the property was not in production by January 28, 2011, an advance royalty payment in the amount of $40,000 per annum was required to be paid. An agreement was reached by both parties to defer certain annual royalty payments to the one-year anniversary date of the arrival of the 1st truckload of Dome ore at the Nicola Mining Inc. mill which was made on June 15, 2021. The Company had agreed to pay 7% interest on those deferred payments. The Company had further agreed that, upon the commencement of production, royalty payments will be paid within 5 business days of the Company and Nicola Mining Inc. receiving payment from the sale of the concentrates.
    - As a result of removing the mineralized material during the year ended March 31, 2022, an agreement was reached by both parties to settle all deferred and current royalty payments and accrued interest for total cash consideration of $210,000 which the Company paid during the year ended March 31, 2023.
    - During the year ended March 31, 2022, the Company issued 1,937,500 common shares valued at $843,250 as consideration for the purchase of various NSRs. The value of the shares was estimated using the market price on grant date. As a result, the annual royalty payment was reduced to $30,000 per annum beginning in January 2023. The Company made the annual royalty payment of $30,000 on January 30, 2023.
    - As at June 30, 2023 the Dome Mountain Project had not commenced commercial production.
- Freegold Property
    - The interest in the property will be subject to a 2% NSR and the Company is required to make annual royalty payments of $20,000 per annum. The Company has the right to purchase 1% of the NSR for the aggregate sum of $1,000,000.
- McKendrick Property
    - The interest in the property will be subject to an NSR of 2.5% and the Company is required to make annual royalty payment of $25,000 per annum.
    - An agreement was reached by both parties to defer 2016, 2017, and 2018 annual royalty payments to the one-year anniversary date of the arrival of the 1st truckload of Dome ore at the Nicola Mining Inc. mill which was made on June 15, 2021. The Company paid the deferred royalty payments totalling $75,000 and 2022 annual royalty payments for total cash consideration of $100,000 on June 30, 2022.
    - Subsequent to the three months ended June 30, 2023, the Company paid the 2023 annual royalty payment of $25,000 on July 5, 2023.
- Hilo Property; and
- Federal Creek Property
    - The interest in the property will be subject to a 3% NSR.

6. EXPLORATION AND EVALUATION ASSETS (Continued)

Big Onion Project

On March 27, 2020, the Company acquired Dome Mountain Mine group of properties and Big Onion Project, both located near the town of Smithers in northwest British Columbia from the acquisition of Metal Mountain Resources Inc.

The Company holds a reclamation deposit of $35,000 related to the Big Onion Project.

On December 6, 2021, the Company entered into an option agreement with Gama for a 100% ownership and beneficial interest in the Big Onion Project. In order to exercise its option on the Big Onion Project, Gama is required to make cash and share payments to the Company and incur exploration and development expenditures on the property, as summarized below. The property is subject to an aggregate 3% net smelter return held by Metal Mountain Resources Inc. (1.125%) and an unrelated third party (1.875%).

- $500,000 in cash paid in the following installments:
    - $50,000 upon execution of the agreement (assigned from Golden Wonder);
    - $50,000 on or before 12 months from the date on which the common shares of Gama are listed on a Canadian stock exchange (April 11, 2022, the "Purchaser's Listing Date") (received);
    - $50,000 on or before 24 months following the Purchaser's Listing Date;
    - $100,000 on or before 36 months following the Purchaser's Listing Date; and
    - $250,000 on or before 48 months following the Purchaser's Listing Date.
- 2,000,000 common shares of Gama issued in the following installments:
    - 1,000,000 common shares upon execution of the agreement (assigned from Golden Wonder) issued into escrow and released in the following installments:
        - 100,000 on the Purchaser's Listing Date (released)
        - 150,000 6 months following the Purchaser's Listing Date (released)
        - 150,000 12 months following the Purchaser's Listing Date (released)
        - 150,000 18 months following the Purchaser's Listing Date
        - 150,000 24 months following the Purchaser's Listing Date
        - 150,000 30 months following the Purchaser's Listing Date
        - 150,000 36 months following the Purchaser's Listing Date
    - 250,000 common shares on or before 24 months following the Purchaser's Listing Date;
    - 250,000 common shares on or before 36 months following the Purchaser's Listing Date; and
    - 500,000 common shares on or before 48 months following the Purchaser's Listing Date.
- $1,500,000 expenditures on the Big Onion project as follows:
    - $250,000 on or before 12 months following the Purchaser's Listing Date (fulfilled);
    - An additional $250,000 on or before 24 months following the Purchaser's Listing Date;
    - An additional $250,000 on or before 36 months following the Purchaser's Listing Date; and
    - An additional $750,000 on or before 48 months following the Purchaser's Listing Date.

(Expressed in Canadian dollars)

7. INVESTMENTS

The Company's investments consist of common shares held in Gama Explorations Inc. (CNSX: GAMA) which were issued to the Company in connection with agreements for the sale or option of its exploration and evaluation assets (Note 6).

		Gama Explorations Inc.
Cost March 31, 2022		100,000
Additions		150,000
Disposals		(10,000)
Cost, March 31, 2023 and June 30, 2023	$	240,000
Adjustment to fair value, March 31, 2022	$	-
Fair value adjustment for the year		1,125,000
Adjustment to fair value, March 31, 2023	$	1,125,000
Fair value adjustment for the period		(1,125,000)
Adjustment to fair value, June 30, 2023	$	-
Fair value, March 31, 2023	**$**	**1,365,000**
Fair value, June 30, 2023	**$**	**240,000**

As of June 30, 2023, 600,000 common shares of Gama were held in escrow and restricted from trading and scheduled to be released from escrow as follows: 150,000 common shares on October 11, 2023, 150,000 common shares on April 11, 2024, 150,000 common shares on October 11, 2024, and 150,000 common shares on April 11, 2025.

As of June 30, 2023, the fair value of the common shares of Gama was determined to be $240,000 (March 31, 2023 - $1,365,000), based on the closing share price of Gama on that date, of which $192,000 (March 31, 2023 - $955,500) is presented within current assets and relates to common shares which are free trading or become free trading within the next 12 months.

8. LONG-TERM ACCOUNTS PAYABLE

On March 27, 2020, the Company completed the acquisition of all the issued and outstanding shares of Metal Mountain Resources Inc. (“Metal Mountain”) in exchange for a total of 12,153,651 common shares of the Company. This transaction was accounted for as an asset acquisition, and as a result, the Company assumed $5,548,030 in long-term accounts payable.

On May 13, 2020, the Company entered into an agreement to amend a debt assignment agreement with AG Partner Holdings Ltd., initially entered into on March 27, 2020.

The Company negotiated an agreement to pay $3,818,097 of the total long-term accounts payable, by way of issuance of 1,909,048 common shares of the Company with a fair value of $2,271,767 on the date of the commencement of commercial production from the Dome Mountain Mine.

The shares will be subject to a hold period which will expire in accordance with the following schedule:

- 10% on each of 12 and 15 months of the date of issuance
- 15% on each of 18 and 24 months from the date of issuance; and
- 25% on each of 30 and 36 months from the date of issuance

Long-term accounts payable of $1,729,933 is unsecured, non-interest bearing, and payment is due within 30 months from the commencement date of commercial production at the Dome Mountain Mine. The payments will be made in quarterly payments from the available proceeds from the eventual sale of any gold and other metals or minerals mined and processed from the Dome Mountain Mine.

9. CEBA LOAN PAYABLE

During the year ended March 31, 2021, the Company obtained $80,000 in interest-free loans from the Government of Canada under the Emergency Business Account (“CEBA”) COVID-19 Economic Response Plan. The loan was interest free until December 31, 2023 with up to 25% of the principal forgivable. The loan was initially recorded at a fair value of $44,342 using an effective rate of 11.39%, considering the grant, the interest-free loan and the forgivable portion. The difference between the amount received in cash and the relative fair value was recognized as income from government assistance during the year ended March 31, 2021.

During the year ended March 31, 2023, the Company repaid $60,000 (75%) of the loan balance and the remaining $20,000 (25%) was forgiven in accordance with the terms of the CEBA loan. As at March 31, 2023, the Company has no further obligations with respect to the CEBA loan.

During the three months ended June 30, 2023, the Company recorded an accretion expense of $nil (June 30, 2022 - $1,580) related to the CEBA loan.

(Expressed in Canadian dollars)

10. ASSET RETIREMENT OBLIGATION

The Company's asset retirement obligation consists of costs associated with the mine reclamation and closure activities on the Dome Mountain Mine (Note 6). These activities, which are site specific, include costs for earthworks, re-contouring, re-vegetation, water treatment and demolition. The expenditures are expected to occur in 2033 and go on for a ten-year period.

A continuity of the asset retirement obligation is as follows:

Balance, March 31, 2022	**$**	**1,354,223**
Changes in estimates		1,135,055
Accretion expense		44,690
Balance, March 31, 2023	**$**	**2,533,968**
Accretion expense		18,361
Balance, June 30, 2023	**$**	**2,552,329**

The total undiscounted cash flow estimated to settle the obligations as at June 30, 2023 is $2,687,178 (March 31, 2023 - $2,687,178), which was adjusted for inflation at the rate of 2.15% and then discounted at a rate of 3.02%. Certain minimum amounts of asset retirement obligation will occur each year with significant amounts expected to be incurred from 2033 to 2042.

11. RELATED PARTY TRANSACTIONS

Summary of key management personnel compensation:

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

For the three months ended		**June 30, 2023**		**June 30, 2022**
Consulting fees	$	36,000	$	36,000

As at June 30, 2023, accounts payable and accrued liabilities include $12,014 (March 31, 2023 - $52,275) owing to the President, CEO and director of the Company. The amount payable is unsecured, non-interest bearing and has no fixed terms of repayment.

As at June 30, 2023, prepaid expenses include $12,000 (March 31, 2023 - $12,000) for management fees paid to a company controlled by the President, CEO and director of the Company which were applied to services rendered subsequent to the year end.

(Expressed in Canadian dollars)

12. FLOW-THROUGH PREMIUM LIABILITY

On July 15, 2021, the Company closed private placements and issued 4,761,154 flow-through units at a price of $0.7425 per unit for gross proceeds of $3,535,157 and 609,758 flow-through units at a price of $0.82 per unit for gross proceeds of $500,002 (Note 13). Upon closing of the private placements, the Company recognized an aggregate flow-through premium liability in the statement of financial position of $275,520 which reflects the value of income tax benefits that the Company will pass on to the flow-through shareholders.

On March 22, 2022, the Company closed private placements and issued 7,367,928 flow-through units at a price of $0.78 per unit for gross proceeds of $5,746,985 (Note 13). Upon closing of the private placements, the Company recognized an aggregate flow-through premium liability in the statement of financial position of $1,031,510 which reflects the value of income tax benefits that the Company will pass on to the flow-through shareholders.

As at June 30, 2023 and March 31, 2023, the Company had no further obligations with respect to the flow-through liability premiums. During the three months ended June 30, 2023, the Company recognized a flow-through premium recovery in the statement of loss and comprehensive loss of $nil (June 30, 2022 – $195,884).

Balance, March 31, 2022		**887,126**
Flow-through recovery		(887,126)
Balance, March 31, 2023 and June 30, 2023	**$**	**-**

13. SHARE CAPITAL AND RESERVES

Authorized: Unlimited number of common shares without par value.

COMMON SHARES

For the three months ended June 30, 2023

- There was no share capital activity during the three months ended June 30, 2023.

For the year ended March 31, 2023

- On April 8, 2022, the Company closed a second tranche of its non-brokered private placement of 2,753,636 units at a price of $0.55 per unit for aggregate proceeds of $1,514,500. Each unit is comprised of one common share of the Company and one-half of one warrant. Each full warrant is exercisable into one common share of the Company at an exercise price of $0.78 per share until April 15, 2024. The Company paid finders' fees in cash of $48,400 and issued 88,000 finders' warrants with a fair value of $22,784 estimated using the Black-Scholes pricing model. The finders' warrants may be exercised to acquire common shares of the Company at a price of $0.78 per common share until April 15, 2024.

- In April 2022, the Company issued 395,214 common shares pursuant to the exercise of 395,214 warrants for gross proceeds of $197,607. In connection with the warrant exercises, the amount of $58,546 was reclassified from reserves to share capital for the finder's warrants exercised.

(Expressed in Canadian dollars)

13. SHARE CAPITAL AND RESERVES (Continued)

OBLIGATION TO ISSUE SHARES

As at June 30, 2023 and March 31, 2023, the balance of obligation to issue shares includes long-term accounts payable to be settled of $2,271,767 on the date of the commencement of commercial production on the Dome Mountain Project (Note 8).

STOCK OPTIONS

Stock Option Plan

The Stock Option Plan was adopted by the Company's board of directors on December 14, 2018. The aggregate number of securities reserved for issuance, set aside and made available for issuance under the Stock Option Plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting of options (including all options granted by the Company to date). The exercise price of any stock options granted under the Option Plan shall be determined by the Board, but may not be less than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.

The term and vesting conditions of any stock options granted under the Stock Option Plan shall be determined by the Board at the time of grant but, subject to earlier termination in the event of termination or in the event of death.

Stock Option Activity

Stock option activities are summarized in the table below.

	Number of Stock Options	Weighted Average Exercise Price
Outstanding and exercisable, March 31, 2022	3,387,500	$0.86
Granted	400,000	$0.43
Outstanding and exercisable, March 31, 2023 and June 30, 2023	3,787,500	$0.81

Details of stock options outstanding and exercisable as at June 30, 2023 are as follows:

Expiry date	Number of Options Outstanding	Number of Options Vested	Exercise Price
February 17, 2025	250,000	250,000	$0.60
March 26, 2025	840,000	840,000	$1.50
April 11, 2025	100,000	100,000	$0.65
June 2, 2025	200,000	200,000	$1.20
July 13, 2025	237,500	237,500	$0.50
August 20, 2025	350,000	350,000	$0.60
March 19, 2026	100,000	100,000	$0.55
July 15, 2026	960,000	960,000	$0.70
January 11, 2027	450,000	450,000	$0.45
February 17, 2028	300,000	300,000	$0.35
Total	3,787,500	3,787,500	

As of June 30, 2023, the weighted average remaining life for outstanding options was 2.60 years (March 31, 2023 – 2.85 years).

(Expressed in Canadian dollars)

13. SHARE CAPITAL AND RESERVES (Continued)

During the three months ended June 30, 2023, the Company recorded stock-based compensation of $nil (June 30, 2022 - $43,250) related to the fair value of stock options which vested in the period. The following weighted average assumptions were applied using the Black-Scholes Option Pricing model to estimate the fair value of stock options granted during the three months ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Risk-free interest rate	-	2.48%
Expected life (years)	-	3.00
Annualized volatility	-	99.90%
Dividend yield	-	-%
Share price	-	$0.68

WARRANTS

Warrant activities are summarized in the table below.

	Number of Warrants	Weighted Average Exercise Price
Outstanding and exercisable, March 31, 2022	21,259,163	$0.69
Exercised	(395,214)	$0.50
Issued	1,464,818	$0.78
Expired	(9,014,878)	$0.50
Outstanding and exercisable, March 31, 2023 and June 30, 2023	13,313,889	$0.83

As at June 30, 2023, the following warrants are outstanding:

Expiry date	Number of warrants	Exercise price
November 19, 2023	1,253,120	$1.30
July 15, 2023	6,263,502	$0.75
July 15, 2023	347,562	$1.10
April 15, 2024	641,026	$0.90
April 15, 2024	3,266,938	$0.78
March 22, 2024	76,923	$0.90
April 15, 2024	1,464,818	$0.78
Total	13,313,889	

As at June 30, 2023, the weighted average remaining life for outstanding warrants was 0.38 years (March 31, 2023 - 0.63 years).

(Expressed in Canadian dollars)

13. SHARE CAPITAL AND RESERVES (Continued)

During the three months ended June 30, 2023, the Company issued finders' warrants in connection with private placements completed and recorded share issuance costs of $nil (June 30, 2022 - $22,784) related to the grant date fair value of the warrants. The following weighted average assumptions were applied using the Black-Scholes Option Pricing model to estimate the fair value of finders' warrants issued during the three months ended June 30, 2023 and 2022:

	June 30, 2023	**June 30, 2022**
Risk-free interest rate	-	2.43%
Expected life (years)	-	2.02
Annualized volatility	-	77.1%
Dividend yield	-	-%
Share price	-	$0.67

14. SEGMENTED INFORMATION

The Company operates in one reportable operating segment – mineral exploration. The Company's resource properties are all located in Canada and its long-term assets are located in Canada. The Company is in the exploration stage, and accordingly, has no reportable segment revenues.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue its business objectives. Therefore, the Company monitors the level of risk incurred in its expenditures relative to its capital structure. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. The Company considers its capital structure to include equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the potential underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms. The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the three months ended June 30, 2023.

(Expressed in Canadian dollars)

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values

	Level		June 30, 2023		March 31, 2023
FINANCIAL ASSETS					
FVTPL					
Cash	1	$	646,210	$	1,056,756
Investment	1		240,000		1,365,000
Reclamation deposits	1		661,312		649,644
Other assets, at amortized cost					
Receivables			24,543		31,949
Total financial assets		$	1,572,065	$	3,103,349

FINANCIAL LIABILITIES				
Other liabilities, at amortized cost				
Accounts payable and accrued liabilities	$	274,468	$	254,600
Long-term accounts payable		1,729,933		1,729,933
Total financial liabilities	$	2,004,401	$	1,984,533

The judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in the condensed consolidated interim financial statements. To provide an indication about the reliability of the inputs used in determining fair value, The Company has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of the of the Company's financial assets and current financial liabilities are assumed to approximate their carrying values due to their short-term nature. The fair value of the Company's long-term accounts payable is assumed to approximate their carrying value, due to the nature of the item and are classified as long term as the Company is not expected to reach commercial production within the next 12 months (Note 8).

Liquidity risk

Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. As at June 30, 2023, the Company had cash of $646,210 to settle current liabilities of $274,468. The Company intends to finance future requirements from its existing cash reserves together with share issuances, the exercise of options and/or warrants, debt, or other sources. There can be no certainty of the Company's ability to raise additional financing through these means.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, deposits and receivables. The risk arises from the non-performance by counterparties of contractual financial obligations. To minimize credit risk, the Company places cash and deposits with high credit quality financial institutions. The Company's receivables primarily consist of input tax credits due from the Government of Canada, and as such, receivables are not subject to significant credit risk. The Company's maximum credit risk is equal to the carrying amount of its cash, receivables, and deposits.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates. The Company does not have any variable rate debt, The interest earned on cash is insignificant and the Company does not rely on interest to fund its operations. As a result, the Company is not exposed to significant interest rate risk.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

The Company is also exposed to price risk with respect to its investment in Gama (Note 7). The Company closely monitors those prices to determine the appropriate course of action. There can be no assurance that the Company can exit its position, if required, resulting in proceeds approximating the carrying value of the investment.

Currency Risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. As at June 30, 2023, the Company does not hold any financial instruments denominated in foreign currencies, as such the Company is not exposed to currency risk.

17. SUBSEQUENT EVENTS

On August 28, 2023, the Company closed a non-brokered private placement financing issuing 3,571,429 commons shares at a price of $0.14 per share for gross proceeds of $500,000.