

LIDA RESOURCES INC.

Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Lida Resources Inc.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Lida Resources Inc. (the "Company"), which comprise the consolidated statement of financial position as at August 31, 2021 and the consolidated statement of loss and comprehensive loss, consolidated statement of cash flows, and the consolidated statement of changes in shareholders' equity 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 consolidated financial position of the Company as at August 31, 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit 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 consolidated 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.

Other Matters

The consolidated financial statements of Lida Resources Inc. for the year ended August 31, 2020, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on December 21, 2020.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt about Lida Resources Inc.'s ability to continue as a going concern.

Information other than the Consolidated Financial Statements and the Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, included in Management's discussion and analysis report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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.

We obtained Management's discussion and analysis report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements.

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 Mickey Goldstein.

HARBORSIDE CPA LLP

Vancouver, British Columbia
February 28, 2022

Harbourside CPA, LLP
Chartered Professional Accountants

LIDA RESOURCES INC.
Consolidated Statements of Financial Position
As at August 31, 2021 and 2020
(Expressed in Canadian dollars)

	Note	2021	2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,186	542,567
Goods and services tax receivable		27,388	10,715
Prepaid expenses		9,657	3,603
		41,231	556,885
Mineral interests	5	1,116,450	1,094,403
Total assets		1,157,681	1,651,288
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5,11	447,555	245,382
Promissory notes payable	6,8,11	126,866	-
Due to related parties	8	10,000	10,000
Total liabilities		584,421	255,382
Shareholders' equity			
Share capital	7	3,964,550	3,940,550
Reserves	7	105,455	105,455
Accumulated other comprehensive income (loss)		(4,342)	(15,728)
Deficit		(3,492,403)	(2,634,371)
Total shareholders' equity		573,260	1,395,906
Total liabilities and shareholders' equity		1,157,681	1,651,288

Nature of operations and going concern (Note 1)

Subsequent event (Note 13)

These consolidated financial statements are approved and authorized for issuance on behalf the Board of Directors on February 28, 2022.

/s/ Anthony Zelen
Director

/s/ Patrick Morris
Director

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

LIDA RESOURCES INC.**Consolidated Statements of Loss and Comprehensive Loss**

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except number of shares)

	Note	2021	2020
		\$	\$
Operating expenses			
Bank charges		14,681	6,517
Consulting fees	8	446,073	633,062
Exploration and evaluation costs	5	173,413	84,047
General and administrative	8	51,568	26,403
Professional fees	8	145,174	149,766
Transfer agent and regulatory fees		37,698	30,663
Travel		-	71
		868,607	930,529
Other expenses (income)			
Foreign exchange (gain) loss		(4,004)	436
Gain on settlement of debt	7, 8	(6,000)	-
Interest expense (income)	6,8	5,799	(260)
Other income		(6,370)	
		(10,575)	176
Net loss for the year		(858,032)	(930,705)
Other comprehensive income (loss)			
Foreign exchange gain (loss) on translation adjustment		11,386	(17,878)
Loss and comprehensive loss for the year		(846,646)	(948,583)
Loss per share			
Basic and diluted		(0.31)	(0.46)
Weighted average number of common shares outstanding			
Basic and diluted		2,749,922	2,016,894

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

LIDA RESOURCES INC.**Consolidated Statements of Cash Flows**

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars)

	Note	2021	2020
		\$	\$
Operating activities			
Net loss for the year		(858,032)	(930,705)
Items not affecting cash:			
Gain on settlement of debt	7, 8	(6,000)	-
Unrealized foreign exchange loss (gain)		(8,495)	436
Interest expense	6	7,866	-
Changes in non-cash working capital:			
Goods and services tax receivable		(16,673)	(9,327)
Prepaid expenses		(7,318)	4,027
Accounts payable and accrued liabilities		253,318	(57,833)
Due to related parties	8	-	(1,400)
Net cash used in operating activities		(635,334)	(994,802)
Investing activities			
Mineral interest additions	5	(22,047)	(263,312)
Net cash used in investing activity		(22,047)	(263,312)
Financing activities			
Issuance of shares on private placement, net of share issue cost	7	-	1,711,795
Proceeds from exercise of common share purchase warrants	7	-	77,375
Proceeds from exercise of agent warrants	7	-	10,000
Proceeds from promissory notes payable	6	119,000	-
Net cash provided by financing activities		119,000	1,799,170
Net change in cash and cash equivalents		(538,381)	541,056
Cash and cash equivalents, beginning of the year		542,567	1,511
Cash and cash equivalents, end of the year		4,186	542,567
Supplementary cash flow information			
Interest income		2,157	-
Cash paid for income taxes	12	-	-
Non-cash transactions			
Mineral interest costs included in accounts payable	5	42,188	42,188
Deferred financing costs included within share issue costs	7	-	77,210
Fair value of agent warrants issued	7	-	111,828
Issuance of shares on debt settlement	7	24,000	-

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

LIDA RESOURCES INC.**Consolidated Statements of Changes in Shareholders' Equity**

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except number of shares)

	Note	Number of shares	Share capital	Reserves	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
		#	\$	\$	\$	\$	\$
Balance, August 31, 2019		1,743,880	2,303,384	-	2,150	(1,703,666)	601,868
Issuance of shares on private placement, net of share issue cost	7	974,800	1,543,418	111,828	-	-	1,655,246
Exercise of common share purchase warrants	7	15,475	77,375	-	-	-	77,375
Exercise of agent warrants	7	5,000	16,373	(6,373)	-	-	10,000
Currency translation adjustment		-	-	-	(17,878)	-	(17,878)
Net loss for the year		-	-	-	-	(930,705)	(930,705)
Balance, August 31, 2020		2,739,155	3,940,550	105,455	(15,728)	(2,634,371)	1,395,906
Issuance of shares on debt settlement	7, 8	30,000	24,000	-	-	-	24,000
Currency translation adjustment		-	-	-	11,386	-	11,386
Net loss for the year		-	-	-	-	(858,032)	(858,032)
Balance, August 31, 2021		2,769,155	3,964,550	105,455	(4,342)	(3,492,403)	573,260

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

LIDA RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except where noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Lida Resources Inc. (the “Company”) was incorporated pursuant to the Business Corporations Act of British Columbia on September 8, 2017 and is an exploration stage company focusing on mineral properties in Peru. The Company's head and registered and records office is located at Suite 2400, 525 8 Avenue SW, Calgary, Alberta, T2P 1G1.

The consolidated financial statements for the years ended August 31, 2021 and 2020 (the “consolidated financial statements”) have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated any revenues from operations and incurred a net loss of \$858,032, during the year ended August 31, 2021 (August 31, 2020 - \$930,705). As at August 31, 2021, the Company has an accumulated deficit of \$3,492,403 (August 31, 2020 - \$2,634,371). Management expects the Company will incur further expenditures to acquire and develop its mineral properties and for administrative expenses. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. As of the date of these interim financial statements, COVID-19 has had no impact on the Company's ability to access and explore its current properties but may impact the Company's ability to raise funding or explore its properties should travel restrictions related to COVID-19 be extended or expanded in scope.

On August 16, 2021, the Company filed articles of amendment to complete an approved share consolidation of the Company's issued and outstanding common shares on the basis of 20 pre-consolidated common shares for one post-consolidated common share. All information relating to basic and diluted loss per share, issued and outstanding common shares, and per share amounts in these consolidated financial statements have been adjusted retroactively to reflect the share consolidation.

2. BASIS OF PRESENTATION

a) Statement of compliance

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issuance in accordance with a resolution from the Board of Directors on February 28, 2022.

b) Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These consolidated financial statements are presented in Canadian dollars.

c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars, except as otherwise noted. The functional currency is the currency of the primary economic environment in which an entity operates. The functional currency of the Company is the Canadian dollar. The functional currency of the Company's wholly owned subsidiary, Imperium Mining SAC (“Imperium”), is the Peruvian soles (“S/”).

LIDA RESOURCES INC.**Notes to the Consolidated Financial Statements**

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except where noted)

2. BASIS OF PRESENTATION (continued)**d) Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Imperium (Peru). All intercompany transactions and balances are eliminated on consolidation. Control exists where the parent entity has power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is included in the consolidated financial statements from the date control commences until the date control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES**a) Cash and cash equivalents**

Cash and cash equivalents are comprised of cash and cashable guaranteed investment certificates ("GIC") that are readily convertible to known amounts of cash with original maturities of three months or less. As at August 31, 2021, the Company had cash of \$4,186 (August 31, 2020 - \$42,567) and cash equivalents of \$nil (August 31, 2020 - \$500,000).

b) Foreign currency translation

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which they operate. These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The company's Peruvian subsidiary has a S/ functional currency. Transactions in currencies other than the entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions. All gain and losses on the translation are included in profit or loss.

The financial results of the Company's subsidiary that has a functional currency other than the Canadian dollar were translated into Canadian dollars as follows: assets and liabilities - at the closing rate at the date of the statements of financial position; income and expenses - at the average rate for the period. All resulting changes are recognized in accumulated other comprehensive income (loss) as foreign currency translation adjustments.

c) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

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. The recoverable amount is determined as the higher of fair value less direct costs to sell, and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices, and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to profit or loss. To the extent that the carrying amount exceeds the recoverable amount, the Company will measure, present, and disclose any resulting impairment loss.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion, and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in profit or loss.

LIDA RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Reclamation and remediation provisions

The Company recognizes a provision for statutory, contractual, constructive, or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired and are measured based on expected future cash flows to settle the obligation, discounted to their present value.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations and comprehensive loss.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

e) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effect of outstanding share options and warrants on loss per share would be anti-dilutive.

f) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options, and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share options, including professional, consulting and regulatory costs, are shown in equity as a deduction, net of tax, from the proceeds of the issuance as share issue costs.

g) Warrants

Warrants issued by the Company typically accompany an issuance of shares in the Company (a "unit") and entitle the warrant holder to exercise the warrants for a stated price for a stated number of shares of the Company. The fair values of the components of the units sold are measured using the residual value approach where the value is allocated first to share capital based on the market value of shares on the date of issue and the residual value is allocated to the warrants. If the proceeds are less than or equal to the estimated fair market value of the share issue, a nil carrying amount is assigned to the warrants. Where warrants are issued as compensation, they are recorded as share-based compensation.

h) Share-based compensation

The Company has a stock option plan, which grants stock options to the Company's directors, officers, employees, consultants and other personnel. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

LIDA RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of the stock options is measured using the Black-Scholes option pricing model and is recognized over the vesting period. For directors and employees, the fair value of the options is measured at the date of grant. Share-based payments to non-employees are measured at the fair value of the goods or services received, or at the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to share-based compensation reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded amount to share-based compensation reserve is transferred to share capital. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified, the increase in the fair value of the options, measured immediately before and after the modification, is charged to profit or loss. For unexercised options that expire, the recorded value in share-based compensation reserve is transferred to deficit or contributed surplus.

i) Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

j) Financial instruments

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

Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Classification of financial assets

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company has classified its cash and cash equivalents as FVTPL; accounts payable and accrued liabilities and due to related parties at amortized cost.

LIDA RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except where noted)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement of financial assets

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of operations in the period in which they arise. Financial assets carried at FVTOCI are initially recorded at fair value plus transaction costs. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTOCI are included as accumulated other comprehensive income and will not be included as profit and loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses.

The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(a) Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of income (loss) and comprehensive income (loss).

(b) Financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of income (loss) and comprehensive income (loss).

k) Mineral interests

Pre-exploration costs for mineral interests are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs directly related to the acquisition of the mineral interests are capitalized, on an area-of-interest basis. Subsequently the mineral interests are carried at cost less any impairment until such time as the assets are substantially ready for their intended use, being commercial production at operating levels intended by management or sale.

Exploration expenditures incurred during the exploration and evaluation phase are expensed as incurred and included in profit or loss. The Company assesses mineral interests for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mine development costs". Mineral interests are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to property carrying values.

LIDA RESOURCES INC.

Notes to the Consolidated Financial Statements

For the years ended August 31, 2021 and 2020

(Expressed in Canadian dollars, except where noted)

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout these consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

i. Share-based compensation and valuation of stock options

The fair value pricing of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in its assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

ii. Deferred income tax assets and liabilities

Valuation of deferred tax assets requires the Company to estimate the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities. The Company applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgements

i. Going concern presentation

Management has determined that the going concern presentation of the consolidated financial statements, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due, as discussed in Note 1, is appropriate.

ii. Carrying value and recoverability of mineral interests

The application of the Company's accounting policy for mineral interests and exploration and evaluation expenditures requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the information becomes available.

iii. Functional currency

Determination of functional currency may involve certain judgments regarding the primary economic environment. The Company reconsiders the functional currency of the group if there is a change in events and conditions, which contributed to the initial assessment of the primary economic environment. Management has determined that the functional currency for the Company is the Canadian dollar, and the functional currency of the Company's Peruvian subsidiary is the S/.

LIDA RESOURCES INC.**Notes to the Consolidated Financial Statements**

For the years ended August 31, 2021 and 2020

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5. MINERAL INTERESTS

The following costs related to the Company's San Vicente property:

	Total
	\$
Acquisition costs	
Balance, August 31, 2019	828,079
Additions	283,102
Foreign currency adjustment	(16,778)
Balance, August 31, 2020	1,094,403
Additions	19,968
Foreign currency adjustment	2,079
Balance, August 31, 2021	1,116,450

Exploration and evaluation costs for the years ended August 31, 2021 and 2020:

	2021	2020
	\$	\$
Exploration and evaluation costs		
Camp operations	12,575	6,565
Community relations	1,266	1,185
Geology, lab, and other fees	2,678	112
Licenses, taxes, and claim fees	218	3,741
Management and consulting	8,670	7,625
Professional fees	10,359	9,605
Rent	-	1,437
Transportation	20,100	4,000
Wages and salaries	117,547	49,777
Total exploration and evaluation costs	173,413	84,047

San Vicente, Peru

On July 7, 2020, the Company, through Imperium, staked 2,500 hectares in the vicinity of its San Vicente and Quiruvilca properties.

On June 30, 2020, Imperium entered two agreements to acquire a total of 400 hectares encompassing the Quiruvilca mine, in exchange for a cash payment of US\$200,000 (paid).

On March 5, 2018, Imperium acquired 100% of the San Vicente mineral property, which is comprised of one mining concession referred to as El Otro Lado located in the western side of the Central Andean Cordillera in Northern Peru. Pursuant to the acquisition agreement, the Company is required to pay \$100,000 in US dollars ("US\$"), of which US\$34,000 remained outstanding as at August 31, 2021 (August 31, 2020 - US\$34,000).

6. PROMISSORY NOTES PAYABLE

On July 21, 2021, the Company entered a promissory note payable agreement for \$14,000 with an arm's length party. The promissory note accrues interest at 15% per annum and is payable upon the completion of a future financing. As at August 31, 2021, the promissory note payable includes \$231 of interest payable.

On June 29, 2021, the Company entered a promissory note payable agreement for \$15,000 with an arm's length party. The promissory note accrues interest at 15% per annum and is payable upon the completion of a future financing. As at August 31, 2021, the promissory note payable includes \$382 of interest payable.

On February 25, 2021, the Company entered a promissory note payable agreement for \$60,000 with the Chief Executive Officer ("CEO") of the Company. The promissory note accrues interest at 15% per annum and is payable upon the completion of a future financing. As at August 31, 2021, the promissory note payable includes \$4,580 of interest payable. (Note 8).

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6. PROMISSORY NOTES PAYABLE (continued)

On January 27, 2021, the Company entered a promissory note payable agreement for \$30,000 with an arm's length party. The promissory note accrues interest at 15% per annum and is payable upon the completion of a future financing. As at August 31, 2021, the promissory note payable includes \$2,673 of interest payable.

7. SHARE CAPITAL**a) Authorized share capital**

Unlimited number of common shares without par value.

b) Issued and outstanding

During the year ended August 31, 2021, the following transactions occurred:

On August 16, 2021, the Company consolidated all of its issued and outstanding common shares on the basis of one post-consolidation common shares for every 20 pre-consolidation common shares.

On April 23, 2021, the Company issued 30,000 common shares with a fair value of \$24,000 to settle debt totaling \$30,000 with the former Chief Financial Officer ("CFO") resulting in a gain on settlement of debt of \$6,000 (Note 8).

During the year ended August 31, 2020, the following transactions occurred:

On July 6, 2020, the Company issued 14,225 shares pursuant to the exercise of common share purchase warrants at a price of \$5.00 per common share for gross proceeds of \$71,125.

On July 3, 2020, the Company issued 5,000 shares pursuant to the exercise of agent warrants at a price of \$2.00 per common share for gross proceeds of \$10,000. The Company reclassified \$6,373 from equity reserves to share capital upon the exercise of the warrants.

On June 9, 2020, the Company issued 1,250 shares pursuant to the exercise of common share purchase warrants at a price of \$5.00 per common share for gross proceeds of \$6,250.

On May 22, 2020, the Company issued 974,800 units pursuant to the closing of its initial public offering at a price of \$2.00 per unit. Each unit consisted of one common share and one-half of one common share purchase warrant. Each full common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$5.00 for a period of 24 months. The Company incurred share issuance costs of \$406,182 related to the initial public offering, which consisted of brokers fees totaling \$175,464, legal fees totaling \$118,890 and the issuance of 87,732 agent warrants with a fair value of \$111,828. Each agent warrant entitles the holder to acquire one common share at \$2.00 for 24 months

c) Stock option plan

On February 1, 2019, the Company adopted a stock option plan (the "Plan") to provide an incentive to directors, officers, employees, consultants and other personnel of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The exercise price of a stock option granted under this Plan shall be as determined by the Board of Directors when such stock option is granted and shall not be lower than the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the option. All options are subject to vesting limitations which may be imposed by the Board of Directors at the time such stock option is granted. During the years ended August 31, 2021 and 2020, the Company did not granted any stock options. As at August 31, 2021 and 2020, the Company had no stock options outstanding.

d) Common share purchase warrants

The common share purchase warrants issued were valued using the residual method. During the year ended August 31, 2021, no common share purchase warrants were issued (2020 - 487,400). As at August 31, 2021, the Company had the following common share purchase warrants outstanding and exercisable:

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(Expressed in Canadian dollars, except where noted)

7. SHARE CAPITAL (continued)

	Number of warrants	Weighted average exercise price
	#	\$
Balance, August 31, 2019	-	-
Issued	487,400	5.00
Exercised	(15,475)	5.00
Balance, August 31, 2020 and 2021	471,925	5.00

Date of expiry	Weighted average exercise price	August 31, 2021
	\$	#
May 22, 2022	5.00	471,925
Total outstanding and exercisable	5.00	471,925

e) Agent warrants

During the year ended August 31, 2020, the agent warrants were issued as consideration for brokers' fees and were valued using the Black-Scholes option pricing model using the following input assumptions:

	August 31, 2020
	\$
Risk-free interest rate	0.29%
Estimated life	2 years
Expected volatility	128.45%
Expected dividend yield	0%

In estimating the fair value of agent warrants issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of comparable companies' common share prices. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the share purchase warrant's expected life. The Company uses historical data to estimate warrant exercise and forfeiture within the valuation model. The Company has not paid dividends on its common stock to date.

	Number of agent warrants	Weighted average exercise price
	#	\$
Balance, August 31, 2019	-	-
Issued	87,732	2.00
Exercised	(5,000)	2.00
Balance, August 31, 2020 and 2021	82,732	2.00

Date of expiry	Weighted average exercise price	August 31, 2021
	\$	#
May 22, 2022	2.00	82,732
Total outstanding and exercisable	2.00	82,732

8. RELATED PARTIES TRANSACTIONS

During the year ended August 31, 2021, the Company incurred \$27,200 (2020 - \$27,200) of consulting fees to the CEO. As of August 31, 2021, the Company is indebted to the CEO for \$64,580 (August 31, 2020 - \$nil) related to the promissory note (Note 6), and \$10,500 recorded in accounts payable.

During the year ended August 31, 2021, the Company incurred \$33,341 (2020 - \$7,500) of fees, recorded as general and administrative expenses, of which \$32,524 (2020 - 7,500) is to a company controlled by the CFO and \$817 (2020 - \$nil) to a company controlled by the former CFO.

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8. RELATED PARTIES TRANSACTIONS (continued)

During the year ended August 31, 2021, the Company incurred \$22,428 (2020 - \$46,551) of fees, recorded as professional fees to the former CFO, and a current director. As of August 31, 2021, the Company had amounts due to the former CFO for \$4,148 (August 31, 2020 - \$42,473). On December 3, 2020, the Company agreed to a debt settlement with the former CFO through common directors. Under the terms of the agreement, the Company will settle \$30,000 in debt through the issuance of 600,000 common shares. The shares were issued on April 23, 2021.

As at August 31, 2021, the Company had amounts due to directors totaling \$10,000 (August 31, 2020 - \$10,000).

All amounts due to related parties are non-interest bearing with no specific terms of repayment. The Company's total amount of related parties transactions that occurred during the year ended August 31, 2021 and 2020 are as follows:

	2021	2020
	\$	\$
Consulting fees	27,200	27,200
General and administrative	33,341	7,500
Professional fees	22,428	46,551
Total	82,969	81,251

9. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2021	2020
	\$	\$
Loss for the year before income taxes	(858,034)	(930,705)
Expected income tax (recovery)	(232,000)	(249,000)
Change in statutory, foreign tax, foreign exchange rates and other	(23,000)	(2,000)
Change in unrecognized deferred tax assets	255,000	251,000
Current income tax	-	-
Deferred tax (recovery)	-	-

The significant components of the Company's deferred tax assets and liabilities as at August 31, 2021 and 2020 are as follows:

	2021	2020
	\$	\$
Share issuance costs and financing fees (20(1)(e))	49,000	66,000
Non-capital losses	605,000	333,000
Mineral resource properties	4,000	4,000
Net deferred tax asset	658,000	403,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2021	Expiry date range	2020	Expiry date range
	\$		\$	
Share issuance costs and financing fees (20(1)(e))	182,000	2021 to 2044	245,000	2020 to 2044
Non-capital losses	2,194,000	2038 to 2041	1,201,000	2038 to 2040
Mineral interests	14,000	No expiry date	14,000	No expiry date

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10. SEGMENTED INFORMATION

During the year ended August 31, 2021, the Company operated in one industry segment: mineral exploration; within the two geographic segments of Canada and Peru. The Company and its wholly-owned subsidiary are operated as one entity with common management located at the Company's head office in Canada. The Company's non-current assets as of August 31, 2021 and 2020 are in Peru.

11. FINANCIAL INSTRUMENTS AND RISKS*Fair value hierarchy*

	Level	2021	As of August 31, 2020
Cash and cash equivalents	1	\$ 4,186	\$ 542,567
Accounts payable and accrued liabilities	2	447,555	245,382
Due to related party	2	10,000	10,000
Promissory notes payable	2	126,866	-

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair values of other financial instruments, which include cash and cash equivalents, accounts payable and accrued liabilities and due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

Credit risk is the risk of an unexpected loss if an exploration partner, counterparty or third party to a financial instrument fails to meet its contractual obligations. To reduce credit risk, cash and cash equivalents are on deposit at major financial institutions. The Company is not aware of any counterparty risk that could have an impact on the fair value of such investments. The carrying value of the financial assets represents the maximum credit exposure. The Company minimizes credit risk by reviewing the credit risk of the counterparties to its arrangements on a periodic basis.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. All of the Company's financial liabilities have contractual maturities of less than 90 days. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. As at August 31, 2021, the Company's cash and cash equivalents balance of \$4,186 (August 31, 2020 - \$542,567) will not be sufficient to meet its obligations related to its accounts payable and accrued liabilities balance of \$447,555 (August 31, 2020 - \$245,382), amounts due to related parties balance of \$10,000 (August 31, 2020 - \$10,000), promissory notes payable balance of \$126,866 (August 31, 2020 - \$nil) and required administrative and exploration and evaluation expenditures over the next twelve months. Therefore, the Company is exposed to liquidity risk and will be required to raise additional capital in the future to fund its operations.

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(Expressed in Canadian dollars, except where noted)

11. FINANCIAL INSTRUMENTS AND RISKS (continued)*Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. The Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The Company is exposed to foreign currency risk, as certain monetary financial instruments are denominated in US\$ and S/. The carrying amounts of the Company's foreign currency denominated monetary assets (liabilities) are as follows:

	August 31, 2021		August 31, 2020	
	S/	US\$	S/	US\$
Cash and cash equivalents	1,261	147	19,981	9,738
Accounts payable and accrued liabilities	(82,922)	(42,924)	(128,178)	(47,551)

The Company has not entered any foreign currency contracts to mitigate this risk. A 5% increase or decrease in the US dollars and Peruvian soles exchange rates would not result in a material impact to the Company's loss or comprehensive loss for the year ended August 31, 2021.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to such risk.

12. CAPITAL MANAGEMENT

The Company manages its capital with the objectives of maintaining its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company, upon approval from its Board of Directors, will balance its overall capital structure through issuance of new shares or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged since incorporation.

LIDA RESOURCES INC.

Notes to the Consolidated Financial Statements

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13. SUBSEQUENT EVENTS

On January 26, 2022, the Company entered a promissory note payable agreement for \$40,000 with an arm's length party. The promissory note accrues interest at 15% per annum and is payable upon the completion of a future financing.

On November 15, 2021, the Company entered a promissory note payable agreement for \$80,000 with an arm's length party. The promissory note accrues interest at 15% per annum and is payable upon the completion of a future financing.