

Gold Lion Resources Inc.

Unaudited Condensed Consolidated Interim Financial Statements

For the Three and Six Months Ended December 31, 2020

(Expressed in Canadian dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of Gold Lion Resources Inc. (the "Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Gold Lion Resources Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

	As at December 31, 2020	As at June 30, 2020
Assets		
Current		
Cash	\$ 2,708,092	\$ 1,427,240
Sales tax recoverable	45,851	14,097
Interest receivable	-	6,293
Mining exploration tax credit recoverable	-	25,040
Prepaid expenses	88,000	88,084
	565,174	1,560,754
Non-current assets		
Exploration and evaluation asset (Notes 4, 5)	4,742,029	2,595,549
Total Assets	\$ 7,583,972	\$ 4,156,303
Liabilities		
Current		
Accounts payable	\$ 189,455	\$ 135,308
Total Liabilities	189,455	135,308
Shareholders' Equity		
Capital stock (Note 6)	8,715,865	4,539,323
Share-based payment reserve (Note 6)	560,205	470,886
Deficit	(1,881,553)	(989,214)
Total Shareholder's Equity	7,394,517	4,020,995
Total Liabilities and Shareholders' Equity	\$ 7,583,972	\$ 4,156,303

Nature of operations and going concern (Note 1)

Subsequent event (Note 10)

Approved on behalf of the Board on February 25, 2021:

"Borzoo Zare"

Borzoo Zare, Director

"Hannah Jin"

Hannah Jin, Director

The accompanying notes are an integral part of the financial statements

Gold Lion Resources Inc.

Condensed Consolidated Interim Statement of Comprehensive Loss

(Unaudited)

	Three Months Ended		Six Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	(\$)	(\$)	(\$)	(\$)
Expenses:				
Consulting fees (Note 7)	116,182	1,650	201,429	10,650
Audi& accounting	-	-	15,183	9,098
Legal	3,639	24,838	7,637	39,266
Investor relations	-	-	37,875	-
Stock based compensation (Note 6)	123,795	-	123,795	138,195
General and Admin	102,728	58,548	510,285	63,722
Total expenses	346,343	85,036	896,203	260,931
Other items				
Gain on settlement of accounts payable	-	57,191	-	57,191
Interest income	2,718	-	3,864	-
Net loss and comprehensive loss for the period	(343,625)	(27,845)	(892,339)	(203,740)
Loss Per Share	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.01)
Weighted average number of common shares outstanding	31,787,975	18,866,000	31,641,161	18,866,000

The accompanying notes are an integral part of the financial statements.

Gold Lion Resources Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited)

	<u>Share Capital</u>			Share-based		
	Number	Amount	Subscriptions Received	Payment Reserve	Deficit	Total
Balance, June 30, 2019	8,800,000	260,000	637,950	-	(25,527)	872,423
Shares issued for private placement, net issuance cost (Note 6)	10,066,000	1,006,600	(637,950)	-	-	368,650
Stock-based compensation (Note 6)	-	-	-	138,195	-	138,195
Net Loss	-	-	-	-	(175,894)	(175,894)
Balance, September 30, 2019	18,866,000	\$ 1,266,600	\$ -	\$ 138,195	\$ (201,421)	\$ 1,203,374
Shares issued for private placement, net issuance cost (Note 6)	2,000,000	993,453	-	-	-	993,453
Shares issued on exercise of warrants (Note 6)	669,750	133,950	-	-	-	133,950
Shares issued for properties (Note 6)	6,855,320	2,145,320	-	-	-	2,145,320
Stock-based compensation (Note 6)	-	-	-	346,856	-	346,856
Options cancelled	-	-	-	(14,165)	14,165	-
Net loss	-	-	-	-	(801,958)	(801,958)
Balance, June 30, 2020	28,391,070	\$ 4,539,323	\$ -	\$ 470,886	\$ (989,214)	\$ 4,020,995
Shares issued for offering, net issuance cost (Note 6)	6,666,667	2,608,716	-	-	-	2,608,716
Shares issued to acquire property (Note 4,6)	2,600,000	1,456,000	-	-	-	1,456,000
Shares issued on exercise of warrants (Note 6)	61,750	12,350	-	-	-	12,350
Stock-based compensation (Note 6)	-	-	-	-	123,795	123,795
Shares issued for exercise of options (Note 6)	100,000	70,976	-	(34,476)	-	36,500
Shares issued for services (Note 6)	50,000	28,500	-	-	-	28,500
Net loss	-	-	-	-	(892,339)	(892,339)
Balance, December 31, 2020	37,869,487	\$ 8,715,865	\$ -	\$ 436,410	\$ (1,881,553)	\$ 7,394,517

The accompanying notes are an integral part of the financial statements.

Gold Lion Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	December 31	December 31
	2020	2019
	\$	\$
Operating activities		
Net loss for the year	(892,339)	(203,740)
Items not affecting cash:		
Stock based compensation	123,795	138,195
Changes in working capital related to operating activities:		
Prepaid expense	84	(1,674)
Shares issued for services	28,500	
Mineral tax credit recovery	25,040	
Sales tax receivable	(31,754)	(3,504)
Interest receivable	6,293	-
Gain on settlement of accounts payable	-	(57,191)
Accounts payable and accrued liabilities	54,147	(452)
Cash used for operating activities	(686,234)	(128,366)
Investing activities		
Exploration and evaluation expenditure	(690,480)	-
Cash used for investing activities	(690,480)	-
Financing activities		
Proceeds from private placement, net issuance cost	2,608,716	368,650
Proceeds from warrant exercise	12,350	-
Proceeds from options exercise	36,500	-
Cash from financing activities	2,657,566	368,650
Change in cash and cash equivalents	1,280,852	240,284
Cash and cash equivalents, beginning of the year	1,427,240	814,815
Cash and cash equivalents, end of year	2,708,092	1,055,099

The accompanying notes are an integral part of the financial statements.

Gold Lion Resources Inc.

Notes to the financial statements

For the Three and Six Months Ended December 31, 2020

Expressed in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the *Business Corporations Act* (British Columbia) on October 5, 2018 under the name "Blue Lion Holdings Inc.". The Company changed its name to "Gold Lion Resources Inc." on November 15, 2018. The Company's head office is located at #305-1770 Burrard Street, Vancouver, British Columbia, V6J 3G7, and its registered and records office is located #810– 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

The Company is engaged in the business of mineral exploration in British Columbia, Canada and Idaho, United States.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. During the period ended December 31, 2020 the Company incurred a net loss of \$768,544 and at December 31, 2020, the Company's net working capital is \$2,652,487.

The Company expects to incur losses in the development of its business, has no source of operating cash flow, and provides no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its mineral properties. These conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Management intends to finance operating costs with the proceeds from equity financings, and its current working capital; however, there is no assurance that the Company will be successful in these actions.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and has adversely affected global workforces, financial markets, and the general economy. It is not possible for the Company to determine the duration or magnitude of the adverse results of COVID-19 nor its effects on the Company's business or operations. The Company anticipates this could have an adverse impact on its business, results of operations, financial position and cash flows in fiscal 2021.

2. BASIS OF PREPARATION

a) Basis of Presentation -

The financial statements for the period ended December 31, 2020 were prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations of IFRS as issued by the International Accounting Standards Board (IASB). The accounting policies set out below are in effect in the financial statements and have been applied consistently to all periods presented unless otherwise indicated

Gold Lion Resources Inc.**Notes to the financial statements**

For the Three and Six Months Ended December 31, 2020

Expressed in Canadian dollars

2. BASIS OF PREPARATION (continued)**b) Basis of Consolidation**

These consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

The principal subsidiaries of the Company as of December 31, 2020 are as follows:

Name of subsidiary	Principal activity	Place of Incorporation	Ownership Interest December 31, 2020	Ownership Interest June 30, 2020
1238339 BC LTD. ("123 LTD.")	Mineral exploration	Canada	100%	100%
Gold Lion Resources (NV) Inc.	Mineral exploration	USA	100%	100%
Ohadi GeoEx Inc.	Mineral exploration	USA	100%	-

Foreign currency translation:

The presentation currency of the financial statements is the Canadian dollar. The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the group. The Company considers the functional currency for itself and its subsidiaries to be the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the date of transaction. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date, while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation of foreign operations with functional currencies different from the presentation currency are included in the statement of comprehensive loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

a) Exploration and evaluation assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination.

Pre-exploration costs are expensed in the period in which they are incurred. All costs related to the acquisition, and exploration of mineral properties are capitalized by property until the commencement of commercial production. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the mineral property is considered to be a mine under development and is classified as "Mining Assets". Exploration and evaluation expenditures accumulated are also tested for impairment before the property costs are transferred to mining asset.

b) Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity.

In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the period presented.

c) Share based payments

The fair value of share options granted to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instrument 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 corresponding amount is recorded to the share-based payments reserve.

The fair value of options is determined using the Black-Scholes Option Pricing Model. 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.

Gold Lion Resources Inc.**Notes to the financial statements**

For the Three and Six Months Ended December 31, 2020

Expressed in Canadian dollars

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS (continued)**d) New standards and interpretations not yet applied**

New accounting standards and amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ACQUISITION OF OHADI GEOEX INC.

On July 15, 2020, the Company acquired, through the purchase of a Ohadi GeoEx Inc. a private Idaho corporation, four additional gold properties which lie to the south of Gold Lion's South Orogrande property located near Dixie, Idaho

Under the terms of the agreement under which Gold Lion will acquire all of the issued and outstanding shares of the Idaho company, Gold Lion will issue an aggregate of 2,600,000 Gold Lion common shares at a price of \$0.56 per share to that company's shareholders upon closing of the transaction

This acquisition did not meet the definition of a business under IFRS 3; therefore the acquisition of the Property was treated as an acquisition of exploration and evaluation assets. The fair value of the assets acquired, and liabilities assumed as at the date of acquisition were as follows:

Net assets acquired		
Exploration and evaluation assets	\$	1,456,000
Consideration		
Fair value of 2,600,000 common shares issued (Notes 5 and 6)	\$	1,456,000

5. EXPLORATION AND EVALUATION ASSET***Cuteye Group Properties***

On January 24, 2020, the Company completed the acquisition of the Cuteye Group of Properties for \$1,800,000 (Notes 4 and 6). The properties include the Mister Jay, Lady Jane, Lama, and Missus Jay claim blocks near Glenora, British Columbia.

Fairview Property

On December 10, 2018, the Company entered into an agreement with Christopher Paul, Oliver Friesen, and 1132902 BC Ltd. to option a 100% interest in the Fairview Property (the "Property"). The Property consists of two mineral titles located in the Kamloops Mining District, British Columbia.

The agreement is subject to a 2% net smelter return ("NSR"). The Company may purchase one third of the NSR for total consideration of \$1,000,000 at any time prior to such time when:

- (i) the concentrator processing ores, for other than testing purposes, has operated for a period of 45 consecutive days at an average rate of not less than 70% of design capacity; or
- (ii) if a concentrator is not erected on the Property, when ores have been produced for a period of 45 consecutive production days at rate of not less than 70% of mining rate specified in a study and mine plan recommending placing the Property in production.

Gold Lion Resources Inc.

Notes to the financial statements

For the Three and Six Months Ended December 31, 2020

Expressed in Canadian dollars

5. EXPLORATION AND EVALUATION ASSET (continued)

Fairview Property (continued)

The agreement is subject to a 2% net smelter return ("NSR"). The Company may purchase one third of the NSR for total consideration of \$1,000,000 at any time prior to such time when:

- (i) the concentrator processing ores, for other than testing purposes, has operated for a period of 45 consecutive days at an average rate of not less than 70% of design capacity; or
- (ii) if a concentrator is not erected on the Property, when ores have been produced for a period of 45 consecutive production days at rate of not less than 70% of mining rate specified in a study and mine plan recommending placing the Property in production.

The option will terminate if the Company does not complete all the following within the relevant time period:

- (i) Make cash payment of \$32,000 upon 60 days of signing of the agreement (paid);
- (ii) Incur minimum exploration expenditures of \$75,000 by December 31, 2019 (incurred);
- (iii) Issuing an aggregate of 255,320 common shares between January 1, 2020 and December 31, 2020 (issued, notes 6);
- (iv) Incur exploration expenditures of \$250,000 between January 1, 2021 and December 31, 2021; and
- (v) Incur exploration expenditures of \$500,000 between January 1, 2022 and December 31, 2022.

Robber Gulch/South Orogrande/Erikson Ridge

On April 7, 2020 the Company's wholly-owned subsidiary, Gold Lion Resources (NV) Inc., entered into an option agreement to earn 100% interest in the South Orogrande, Robber Gulch, and Erikson Ridge gold projects (the "Projects") in Idaho from Bronco Creek Exploration Inc., a wholly-owned subsidiary of EMX Royalty Corp ("EMX").

Each Project is covered by a separate exploration and option agreement (each, an "Agreement"). Pursuant to each Agreement, the Company can exercise its option to earn 100% interest in the respective Project by completing the following milestones on or before the dates indicated:

- (i) Make cash payment of US\$15,000 and issue 200,000 common shares upon signing of the agreement (paid and issued, Note 6);
- (ii) Make cash payment of US\$25,000 and incur minimum exploration expenditure of US\$100,000 on or before July 7, 2021;
- (iii) Make cash payment of US\$40,000 and issue 250,000 common shares and incur minimum exploration expenditure of US\$200,000 on or before April 7, 2022;
- (iv) Make cash payment of US\$70,000 and incur minimum exploration expenditure of US\$300,000 on or before April 7, 2023;
- (v) Make cash payment of US\$150,000 and incur minimum exploration expenditure of US\$400,000 on or before April 7, 2024; and
- (vi) Make cash payment of US\$300,000 and issue 500,000 common shares and incur minimum exploration expenditure of US\$500,000 on or before April 7, 2025;

For cash option payments beginning on the 2nd anniversary to the 5th anniversary of the effective date, the Company may elect to pay half of the value of the option payments through the issuance of common shares.

5. EXPLORATION AND EVALUATION ASSET (continued)

Robber Gulch/South Orogrande/Erikson Ridge (continued)

Upon the Company's exercise of the option for a Project, EMX will retain a 3.5% NSR royalty on the Project, of which the Company may purchase up to 1.0% of the NSR (the first 0.5% for 350 ounces of gold or cash equivalent prior to the third anniversary after exercise of the option, then the remaining 0.5% can be purchased at any time thereafter, until commercial production, for 1,150 ounces of gold or cash equivalent). The Company may, at its election, make up to one-half of the payment for the first 0.5% through the issuance of common shares. After exercise of the option, annual advance royalty ("AAR") payments are due starting at US\$30,000 on the first anniversary of the exercise of the option and increasing by US\$10,000 per year to a maximum of US\$80,000 per year. All AAR payments cease upon commencement of commercial production from a Project.

In addition, the Company will make milestone payments for a given Project to EMX consisting of:

- 300 ounces of gold upon completion of a Preliminary Economic Assessment,
- 550 ounces of gold upon completion of a Pre-Feasibility Study, and
- 650 ounces of gold upon completion of a Feasibility Study.

The Company may elect to make any such milestone payments in cash or in kind as refined bullion.

South Orogrande Extension

On July 15, 2020, the Company acquired, through the purchase of Ohadi GeoEx Inc., four additional gold properties, The Doc, Majestic, Mammoth, and Red Cloud, which lie to the south of Gold Lion's South Orogrande property (Note 4 and 6).

Gold Lion Resources Inc.**Notes to the financial statements**

For the Three and Six Months Ended December 31, 2020

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The continuity of the Company's exploration and evaluation assets is as follows:

	Fairview	Robber Gulch	South Orogrande	Erickson Ridge	Cuteye	South Orogrande Extension	Total
Acquisition Costs							
Balance, beginning at July 1, 2020	\$ 167,320	\$ 91,200	\$ 91,200	\$ 91,200	\$ 1,800,000	\$ -	2,240,920
Incurred during the year	-	-	-	-	-	1,456,000	1,456,000
Balance, ending at December 31, 2020	167,320	91,200	91,200	91,200	1,800,000	1,456,000	3,696,920
Deferred Exploration Costs							
Balance, beginning at July 1, 2020	\$ 58,427	\$ 134,294	\$ 115,941	\$ 45,967	\$ -	\$ -	354,629
Drilling		52,669	-	-	-	-	52,669
Trenching		39,000	-	-	-	-	39,000
Equipment rental	-	29,452	5,141	18,090	-	-	52,683
Geological and geophysical	-	26,469	24,325	52,346	-	-	103,140
Project preparation and support	-	72,182	-	-	-	-	72,182
Permitting	-	4,761	35,363	24,781	-	-	64,905
Sampling and analysis costs	-	15,723	20,759	-	-	-	36,482
Travel and accommodations	-	49,292	3,535	4,626	-	-	57,453
Report and data compilation	-	2,462	13,995	1,936	-	-	18,393
Taxes and mineral claims	-	39,211	79,033	30,395	-	6,435	155,074
Camp costs and field expenses	-	21,375	-	-	-	-	21,375
Reclamation costs	-	12,009	-	-	-	-	12,009
Miscellaneous	-	3,325	-	1,790	-	-	5,115
Balance, ending at December 31, 2020	58,427	502,224	298,092	179,931	-	6,435.00	953,441
Impairment	-	-	-	-	-	-	-
Total exploration and evaluation	\$ 225,747	\$ 593,424	\$ 389,292	\$ 271,131	\$ 1,800,000	\$ 1,462,435	\$4,650,361

Gold Lion Resources Inc.

Notes to the financial statements

For the Three and Six Months Ended December 31, 2020

Expressed in Canadian dollars

6. SHARE CAPITAL

Authorized and Issued:

- Unlimited common shares without par value; and
- 37,869,487 shares issued and outstanding.

Issuances:

During the period from July 1, 2019 to December 31, 2020 the Company issued the following share capital:

- On July 3, 2019, the Company issued an aggregate of 10,066,000 units at \$0.10 per unit for gross proceeds of \$1,006,600. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant, with each whole common share purchase warrant entitling the holder to purchase an additional common share at a price of \$0.20 to July 3, 2021.
- On January 24, 2020, 6,000,000 common shares with a fair value of \$0.30 were issued as part of asset purchase agreement for a total consideration of \$1,800,000 (Notes 5).
- On April 7, 2020, 600,000 common shares with a fair value of \$0.35 per share were issued as part of an option agreement for a total consideration of \$210,000 (Note 5).
- On May 22, 2020, the Company issued an aggregate of 2,000,000 units at \$0.50 for proceeds of \$1,000,000. Each unit is comprised of one common share of the Company and one common share purchase warrant entitling the holder to purchase an additional common share at a price of \$0.75 to May 22, 2022.
- On June 4, 2020, 255,320 common shares with a fair value of \$0.53 per share were issued to the CEO of the Company as part of an option agreement for total consideration of \$135,320 (Notes 5)
- During year ended June 30, 2020, 669,750 common shares were issued at \$0.20 as part of warrant exercise for proceeds of \$133,950.
- On July 10, 2020, the Company issued 50,000 common shares at \$0.57 per share as part of a shares for services to a consultant.
- On July 15, 2020, 2,600,000 common shares with a fair value of \$0.56 were issued as part of asset purchase agreement for a total consideration of \$1,456,000 (Notes 4 and 5)
- On July 16, 2020, 100,000 common shares were issued at \$0.37 as part of options exercise for proceeds of \$35,500 (Note 7).
- On November 2, 2020, as part of a prospectus offering, the company issued 6,666,667 units at a price of \$0.45 cents per unit for gross proceeds of \$3,000,000. Each unit consists of one common share of the company and one common share purchase warrant entitling the holder to purchase one common share of the company at a price of 60 cents per warrant share for a period of 24 months following issuance of such warrant.
- During the period ending December 31, 2020, 61,750 common shares were issued at \$0.20 as part of warrant exercise for proceeds of \$8,100.

Stock Options

The Company has adopted a stock option plan, pursuant to which the board of directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Securities Exchange ("Exchange") requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares exercisable for a period of up to five years from the date of issuance.

Gold Lion Resources Inc.**Notes to the financial statements**

For the Three and Six Months Ended December 31, 2020

Expressed in Canadian dollars

6. SHARE CAPITAL (continued)

On August 20, 2019, the Company issued 1,850,000 stock options at a price of \$0.10 per share, expiring August 20, 2024. The estimated fair value of the options was \$174,696 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 170%; an expected life of 5 years; a dividend yield rate of 0%; and a risk-free interest rate of 1.19%. During the year, 150,000 options were cancelled, and a value of \$14,165 was transferred to deficit.

On February 18, 2020, the Company issued 100,000 stock options at a price of \$0.365 per share, expiring February 18, 2025. The estimated fair value of the options was \$34,476 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 170%; an expected life of 5 years; a dividend yield rate of 0%; and a risk-free interest rate of 1.34%.

On May 15, 2020, the Company issued 650,000 stock options at a price of \$0.45 per share, expiring May 15, 2025. The estimated fair value of the options was \$275,879 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 170%; an expected life of 5 years; a dividend yield rate of 0%; and a risk-free rate of 0.37%.

On November 9, 2020, the Company issued 150,000 stock options at a price of \$0.40 per share, expiring November 9, 2025. The estimated fair value of the options was \$56,595 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 170%; an expected life of 5 years; a dividend yield rate of 0%; and a risk-free rate of 0.47%.

On November 30, 2020, the Company issued 250,000 stock options at a price of \$0.285 per share, expiring November 9, 2025. The estimated fair value of the options was \$56,595 which was determined using the Black-Scholes Option Pricing Model with the following assumptions: an annualized volatility of 170%; an expected life of 5 years; a dividend yield rate of 0%; and a risk-free rate of 0.43%.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2020:

Number of Options	Exercise Price	Expiry Date	Exercisable
1,700,000	\$0.10	August 20, 2024	1,700,000
650,000	\$0.45	May 15, 2025	650,000
150,000	\$0.40	November 9, 2025	150,000
250,000	\$0.285	November 30, 2025	250,000

As at December 31, 2020 the 2,750,000 options outstanding had a weighted average exercise price of \$0.35 and a weighted average life of 3.99 years.

Warrants

Number of Warrants	Exercise Price	Expiry Date	Exercisable
4,296,000	\$0.20	July 3, 2021	4,357,750
2,000,000	\$0.75	May 22, 2022	2,000,000
7,122,542	\$0.60	November 3, 2022	7,122,542

As at December 31, 2020, the 13,418,542 warrants outstanding had a weighted average exercise price of \$0.49 and weighted average life of 1.35 years.

Gold Lion Resources Inc.**Notes to the financial statements**

For the Three and Six Months Ended December 31, 2020

Expressed in Canadian dollars

6. SHARE CAPITAL (continued)*Reserves*

The stock option reserve account records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised or are cancelled, the amount is transferred to deficit.

7. RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2020,

- The Company incurred and paid a consulting and advisory fee of \$15,000 to the Company's CEO.
- The Company incurred and paid a consulting and advisory fee of \$1,865 to the Company's CFO.
- The Company incurred and paid a consulting and advisory fee of \$9,900 to the Directors of the Company.
- The Company's CEO purchased 44,444 units at \$0.45 for proceeds of \$49,375 as part of the Company's prospectus offering.
- 50,000 common shares were issued at \$0.37 as part of options exercise for proceeds of \$18,250 to Dan Dente, a director of the Company.
- 50,000 common shares were issued at \$0.37 as part of options exercise for proceeds of \$18,250 to Douglas Meirelles, a director of the Company.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 that are not based on observable market data.

The fair values of accounts payable approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at December 31, 2020 as follows:

	Level 1	Level 2	Level 3	Total
Financial Instrument				
Cash	\$ 2,708,092			\$ 2,708,092
Accounts payable	\$ 189,455			\$ 189,455

The Company is exposed to varying degrees to a variety of financial instrument related risks:

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The Company's cash is held in large Canadian financial institution. The Company maintains cash deposits with a Schedule A financial institution, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates. The Company does maintain bank accounts which earn interest at variable rates, and does not believe it is currently subject to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

9. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to externally imposed capital requirements.