

SASSY RESOURCES CORPORATION

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2020 AND 2019**

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sassy Resources Corporation

Opinion

We have audited the accompanying financial statements of Sassy Resources Corporation (the "Company"), which comprise the statements of financial position as at June 30, 2020 and 2019, and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended and from the period from incorporation on June 3, 2019 to June 30, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020, and its financial performance and its cash flows for the year then ended and from the period from incorporation on June 3, 2019 to June 30, 2019 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 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the financial statements, which indicates that the Company has no sources of revenue, ongoing losses, and a deficit of \$1,266,493. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

September 22, 2020

Sassy Resources Corporation

Statements of Financial Position

(Expressed in Canadian Dollars)

As at

	June 30, 2020	June 30, 2019
	(\$)	(\$)
ASSETS		
Current assets		
Cash	941,569	1
GST receivable	16,163	-
Prepays	55,000	-
	1,012,732	1
Reclamation deposit (Note 5)	32,000	-
Exploration and evaluation assets (Note 5)	2,699,321	-
	3,744,053	1
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 and 8)	177,622	1,500
Other liabilities (Note 7)	25,600	-
	203,222	1,500
Shareholders' equity (deficiency)		
Share capital (Note 9)	4,569,629	1
Reserves (Note 9)	237,695	-
Deficit	(1,266,493)	(1,500)
	3,540,831	(1,499)
	3,744,053	1

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 14)

On behalf of the Board:

"Richard Savage"

Director

"Robert Stewart"

Director

See accompanying notes to the financial statements

Sassy Resources Corporation

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended June 30, 2020	For the period from Incorporation on June 3, 2019 to June 30, 2019
	(\$)	(\$)
EXPENSES		
Consulting fees (Note 8)	223,658	-
General and administrative	82,391	-
Impairment of loan receivable (Note 8)	326,945	-
Management fees (Note 8)	200,000	-
Professional fees (Note 8)	163,562	1,500
Share-based payments (Note 9)	213,795	-
Transfer agent and filing fees	13,641	-
Travel and promotion	41,001	-
Loss and comprehensive loss for the period	(1,264,993)	(1,500)
Basic and diluted loss per share:	(0.18)	(1,500.00)
Weighted average common shares outstanding:		
Basic	7,096,744	1
Diluted	7,096,744	1

See accompanying notes to the financial statements

Sassy Resources Corporation

Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	<u>Share capital</u>				
	Number of Shares	Amount	Reserves	Deficit	Total
		(\$)	(\$)	(\$)	(\$)
Balance at June 3, 2019	-	-	-	-	-
Common share issued on incorporation	1	1	-	-	1
Loss for the period	-	-	-	(1,500)	(1,500)
Balance at June 30, 2019	1	1	-	(1,500)	(1,499)
Asset acquisition from Crystal Lake Mining Corp.	9,999,999	2,500,000	-	-	2,500,000
Common shares issued for property	250,000	62,500	-	-	62,500
Common shares issued for cash	12,316,000	2,079,000	-	-	2,079,000
Share issuance costs	-	(71,872)	23,900	-	(47,972)
Stock options vested	-	-	213,795	-	213,795
Loss for the year	-	-	-	(1,264,993)	(1,264,993)
Balance at June 30, 2020	22,566,000	4,569,629	237,695	(1,266,493)	3,540,831

See accompanying notes to the financial statements

Sassy Resources Corporation

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended June 30, 2020	For the period from Incorporation on June 3, 2019 to June 30, 2019
	(\$)	(\$)
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Loss for the period	(1,264,993)	(1,500)
Items not affecting cash		
Impairment of loan receivable	326,945	-
Share-based payments	213,795	-
Changes in non-cash working capital items:		
GST receivable	(16,163)	-
Prepays	(55,000)	-
Accounts payable and accrued liabilities	129,055	1,500
	(666,361)	-
INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(89,754)	-
Reclamation bond	(32,000)	-
	(121,754)	-
FINANCING ACTIVITIES		
Common shares issued for cash	2,104,600	1
Funds advanced to Crystal Lake Mining, net	(326,945)	-
Share issuance costs	(47,972)	-
	1,729,683	1
Change in cash during the period	941,568	1
Cash - beginning of period	1	-
Cash - end of period	941,569	1

Supplemental Cash Flow Information (Note 13)

See accompanying notes to the financial statements

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Sassy Resources Corporation (the “Company”) was incorporated on June 3, 2019 under the Business Corporations Act (British Columbia). The Company is an exploration stage mining company currently engaged in the identification, acquisition and exploration of precious metal resources in Canada. The Company’s registered and records office is located at suite 804 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

For the period from incorporation on June 3, 2019 to October 4, 2019, the Company was a wholly-owned subsidiary of Crystal Lake Mining Corp. (“CLM”). Upon completion of an equity financing (Note 9), the Company ceased to be under CLM control. On February 18, 2020, the Company received certain exploration and evaluation assets from CLM in exchange for common shares. All of the common shares of the Company held by CLM were subsequently distributed to the shareholders of CLM pursuant to a plan of arrangement (Note 2). As a result, the Company is now a reporting issuer under securities policy.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. The Company has no sources of revenue, ongoing losses and a deficit of \$1,266,493.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

The Company’s continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations. If for any reason, the Company is unable to continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s financial statements and such adjustments could be material. The above conditions cast significant doubt on the Company’s ability to continue as a going concern.

2. PLAN OF ARRANGEMENT

On February 18, 2020, CLM completed a plan of arrangement (the “Arrangement”) pursuant to which CLM transferred certain exploration and evaluation assets in British Columbia and Ontario to the Company in exchange for 9,999,999 common shares of the Company. CLM subsequently distributed the shares to the shareholders of CLM as a return of capital. The transaction is accounted for in accordance with IFRS 2, Share Based Payments as the assets acquired do not constitute a business for accounting purposes.

The Company has allocated the entire purchase price, determined to be \$2,500,000, to the Foremore Property located in the Eskay Creek District of British Columbia as it is the primary focus for the Company and its planned exploration expenditures. A value of \$nil was attributed to the Nicobat property (Note 5). The Company did not acquire any other assets or liabilities as part of the Arrangement.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

3. BASIS OF PREPARATION

Statement of compliance

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations from the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved by the Company’s Board of Directors on September 21, 2020.

Basis of measurement

All references to dollar amounts in these financial statements and related notes are in Canadian dollars, unless otherwise indicated.

These financial statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for cash flow information, and financial instruments classified as financial instruments at fair value through profit or loss, or fair value through other comprehensive loss which are stated at fair value.

Functional and Presentation Currency

The functional currency of the Company is the Canadian dollar, which is also the presentation currency of the financial statements.

Use of Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates.

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Income taxes

The calculation of income taxes requires judgment in applying tax laws and regulations, estimating the timing of the reversals of temporary differences, and estimating the reliability of deferred tax assets. These estimates impact current and deferred income tax assets and liabilities, and current and deferred income tax expense (recovery).

Non-monetary transactions

Assets exchanged or transferred in non-monetary transactions are measured at the fair value of the asset given up or the fair value of the asset received, whichever is more reliable.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

3. BASIS OF PREPARATION (continued)

Share-based compensation

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

Significant judgments that management has made at the end of the reporting period are as follows:

Carrying value and the recoverability of exploration and evaluation assets

Management has determined that exploration, evaluation and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, scoping and feasibility studies, accessible facilities and existing permits.

Going Concern

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

4. SIGNIFICANT ACCOUNTING POLICIES

Loss per share

Basic loss per share is calculated by dividing the loss of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The calculation assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price. For the period presented, this calculation proved to be anti-dilutive.

Exploration and evaluation assets

Costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property. Costs incurred before the Company has obtained the legal rights to explore an area are recognized through profit or loss. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are first tested for impairment and then reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their recoverable amount. Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures by the Company. Proceeds from the issuance of flow-through shares need to be allocated between the offering of the flow-through share and the premium paid for the implied tax benefit received by the investors as a result of acquiring the flow-through shares. The calculated tax benefit is recognized as a liability until the Company renounces the expenditures, at which point the liability is reversed and recorded as other income on the statements of loss and comprehensive loss. The Company records a deferred tax liability when the Company makes the expenditures. At the time of recognition of the deferred tax liability, an offsetting entry is made to tax expense.

Restoration provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to exploration and evaluation assets with a corresponding entry to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the year. The Company currently has no restoration obligations.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity.

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, in the jurisdictions where the Company operates and generates taxable income.

Deferred income tax is provided based 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 profit will be available to allow all or part of the deferred income tax asset to be utilized.

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.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company has a stock option plan. Share based payments are measured at the fair value of the instruments issued and recognized over the term of vesting. The corresponding amount is recorded to the option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. 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 options granted shall be based on the number of options that eventually vest. If and when stock options are ultimately exercised, the amount of cash received as well as the applicable amount of the associated reserve is transferred to share capital. The value associated with expired options remains in reserves.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders the services.

Impairment of long-lived assets

The carrying amount of the Company's assets is reviewed for indicators of impairment at each reporting date. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal ("FVLCD").

FVLCD is defined as the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. The Company calculates FVLCD by reference to the after-tax future cash flows expected to be derived, less estimated selling costs. The estimated after-tax future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. If an impairment loss exists, then it is recorded as an expense immediately.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss cannot be reversed to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

IFRS 9 provides three different measurement categories for non-derivative financial assets – subsequently measured at amortized cost, fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income – while all non-derivative financial liabilities are classified as subsequently measured at amortized cost. The category into which a financial asset is placed and the resultant accounting treatment is largely dependent on the nature of the business of the entity holding the financial asset. All financial instruments are initially recognized at fair value.

Financial assets

The Company initially recognizes financial assets at fair value on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company’s financial assets consist of cash which has been classified as fair value through profit or loss. All financial assets that do not meet the criteria to be recognized as subsequently measured at amortized cost or subsequently measured at fair value through other comprehensive income are classified as FVTPL.

Financial liabilities

The Company’s financial liabilities consist of accounts payable and accrued liabilities which have been classified as subsequently measured at amortized cost. Financial liabilities are recognized initially at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit and loss over the period to maturity using the effective interest method.

Impairment

An “expected credit loss” impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the statement of financial position a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized in profit or loss will be recognized on the statement of financial position.

The purpose of the standard is to provide users of the financial statements with a more accurate picture of a company's leased assets and associated liabilities, while also improving the comparability of companies that lease assets to those that purchase them.

As at June 30, 2020, the Company did not have any leases that would result in a right-of-use asset or lease liability.

5. EXPLORATION AND EVALUATION ASSETS

Foremore Property, British Columbia

In connection with the Arrangement the Company took assignment of a binding letter of intent ("LOI") dated June 24, 2019 (the "Effective Date"), as amended on November 12, 2019, which provides an exclusive option to acquire a 100% ownership interest in 35 mineral claims located in the Eskay Creek district of British Columbia (the "Foremore Property").

Pursuant to the LOI, the Company must make the following cash and share payments as well as incur minimum exploration expenditures in order to complete the acquisition:

Date	Shares	Cash	Exploration
		(\$)	Expenditures
			(\$)
Upon completion of the Arrangement (issued)	250,000	-	-
On or before August 13, 2020 (issued and paid)	250,000	50,000	150,000
On or before August 13, 2021	250,000	66,667	150,000
On or before August 13, 2022	250,000	66,667	300,000
On or before August 13, 2023	250,000	66,667	300,000
On or before August 13, 2024	-	-	300,000
Total	1,250,000	250,001	1,200,000

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

5. EXPLORATION AND EVALUATION ASSETS (continued)

The vendor of the property will retain a 3% net smelter return (“NSR”) royalty upon the Company completing its obligations under the LOI. The Company has the right to purchase back the NSR of 2% for a cash payment of \$2,000,000 and an additional 0.5% for a cash payment of \$1,000,000. Upon the fifth anniversary of the Effective Date, the Company is required to commence payment of an annual advanced royalty of \$20,000 until such time as the Company elects to purchase the NSR. At that point the cumulative advanced royalties paid will be deducted from the NSR purchase price disclosed above.

The Company posted a \$32,000 reclamation program security deposit with the Ministry of Energy, Mines and Petroleum Resources in connection with the Foremore Property exploration program.

Nicobat Property, Ontario

In connection with the Arrangement the Company entered into an assignment agreement with Crystal Lake and Emerald Lake and, upon closing of the Arrangement, the Company acquired the Emerald Lake Properties (the “Nicobat Property”) from Crystal Lake, with the consent of Emerald Lake, subject to certain royalties.

	Foremore Property	Nicobat Property	Total
	(\$)	(\$)	(\$)
Acquisition Costs:			
Balance, June 30, 2019	-	-	-
Cash	25,000	-	25,000
Shares	2,562,500	-	2,562,500
Balance, June 30, 2020	2,587,500	-	2,587,500
Exploration Costs:			
Balance, June 30, 2019	-	-	-
Camp and office supplies	83,671	-	83,671
Consulting	28,150	-	28,150
Balance, June 30, 2020	111,821	-	111,821
Total Costs:			
Balance, June 30, 2019	-	-	-
Balance, June 30, 2020	2,699,321	-	2,699,321

6. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	June 30, 2020	June 30, 2019
	(\$)	(\$)
Trade payables	89,487	1,500
Related party payables (Note 8)	30,135	-
Accrued liabilities	58,000	-
	177,622	1,500

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

7. OTHER LIABILITIES

The issuance of 256,000 flow-through shares on May 29, 2020 resulted in a flow-through premium liability of \$25,600.

8. RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and other members of key management personnel during the year ended June 30, 2020 and the period ended June 30, 2019 is as follows:

	June 30, 2020	June 30, 2019
	(\$)	(\$)
Consulting fees	57,000	-
Management fees	200,000	-
Professional fees	32,500	-
Share-based payments	194,877	-
	<u>484,377</u>	<u>-</u>

During the year ended June 30, 2020, a total of \$326,945 owing from a corporation that shares directors in common was determined to be uncollectible and accordingly was fully impaired, as a result of completing the Arrangement.

As at June 30, 2020, a total of \$30,135 (June 30, 2019 - \$Nil) was included in accounts payable and accrued liabilities owing to the directors and officers of the Company.

Under the terms of their management agreement, a certain officer of the Company is entitled to six months of base pay in the event of their agreement being terminated without cause.

9. SHARE CAPITAL AND RESERVES

Authorized share capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

SASSY RESOURCES CORPORATION

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Year Ended June 30, 2020

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

Issued share capital

Year ended June 30, 2020

On October 4, 2019, the Company completed the first tranche of a non-brokered private placement and issued 770,000 shares at \$0.25 for gross proceeds of \$192,500. The Company paid cash finder's fees of \$8,000 and issued 32,000 finder's warrants valued at \$3,100. Each finder's warrant entitles the holder to acquire an additional common share at a price of \$0.25 on or before October 4, 2020.

On November 20, 2019, the Company completed the second tranche of the non-brokered private placement and issued 140,000 shares at \$0.25 for gross proceeds of \$35,000.

On January 3, 2020, the Company completed the third and final tranche of the non-brokered private placement and issued 40,000 shares at \$0.25 for gross proceeds of \$10,000.

On February 18, 2020, the Company issued 9,999,999 common shares valued at \$2,500,000 to CLM in exchange for the Foremore Property, Nicobat Property and other properties located in Ontario. These shares were subsequently distributed to the shareholders of Crystal Lake pursuant to the Plan of Arrangement (Note 2).

On February 18, 2020, the Company issued 250,000 common shares valued at \$62,500 in accordance with the Foremore Property acquisition agreement (Note 5).

On February 18, 2020, the Company converted 5,000,000 special warrants into 5,000,000 common shares and 5,000,000 share purchase warrants which entitle the holder to acquire an additional common share at a price of \$0.10 on or before July 17, 2021. The special warrants were previously issued on July 17, 2019 at a price of \$0.05 per special warrant for aggregate proceeds of \$250,000.

On March 6, 2020, the Company completed a non-brokered private placement and issued 670,000 common shares at \$0.25 for gross proceeds of \$167,500. The Company paid cash finder's fees of \$3,600 and issued 14,400 finder's warrants valued at \$1,400. Each finder's warrant entitles the holder to acquire an additional common share at a price of \$0.25 on or before March 6, 2021.

On May 21, 2020, the Company completed a non-brokered private placement and issued 5,040,000 units at \$0.25 per unit for gross proceeds of \$1,260,000. Each unit is comprised of a common share and a share purchase warrant that entitles the holder to acquire an additional share at \$0.45 for a period of 30 months. The Company paid cash finder's fees of \$25,550 and issued 102,200 finder's warrants valued at \$14,600. Each finder's warrant entitles the holder to acquire an additional common share at a price of \$0.25 on or before November 21, 2022.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)

On May 29, 2020, the Company completed a non-brokered private placement and issued 400,000 units at \$0.25 per unit for gross proceeds of \$100,000. Each unit is comprised of a common share and a share purchase warrant that entitles the holder to acquire an additional common share at \$0.45 for a period of 30 months. The Company paid cash finder's fees of \$4,550 and issued 18,200 finder's warrants valued at \$2,600. Each finder's warrant entitles the holder to acquire an additional common share at a price of \$0.25 on or before November 29, 2022.

On May 29, 2020, the Company completed a non-brokered private placement and issued 256,000 flow through units at \$0.35 per unit for gross proceeds of \$89,600. Each flow through unit is comprised of a flow-through common share and one half of a non-flow through share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at \$0.50 for a period of 30 months. The Company paid cash finder's fees of \$6,272 and issued 17,920 finder's warrants valued at \$2,200. Each finder's warrant entitles the holder to acquire an additional common share at a price of \$0.25 on or before November 29, 2022.

Period ended June 30, 2019

On June 3, 2019, the Company issued 1 common share at \$1 per share pursuant to the incorporation of the Company.

Stock options

The Company has rolling incentive stock option plan (the "Plan"), which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock 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 of the Company. Such options will be exercisable for a variable period from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares.

Options may be exercised no later than 90 days following cessation of the optionee's position with the Company unless otherwise approved by the Board of Directors.

In May 2020, the Company granted 1,800,000 incentive stock options that are exercisable at \$0.25 per share until May 29, 2025. The options have different vesting terms, and the Company recorded share-based payments of \$213,795 (2019 - \$Nil) during the year ended June 30, 2020.

The following table summarizes the stock options outstanding as at June 30, 2020:

Expiry Date	Number of Options Outstanding	Number of Options Vested	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
			(\$)	(yrs)
May 29, 2025	1,800,000	600,000	0.25	4.92
	1,800,000	600,000	0.25	4.92

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

9. SHARE CAPITAL AND RESERVES (continued)*Warrants*

A continuity schedule of the Company's share purchase is as follows:

	Number of Warrants	Weighted Average Exercise Price
		(\$)
Balance, June 30, 2019	-	-
Issued	10,752,720	0.28
Balance, June 30, 2020	10,752,720	0.28

The following table summarizes the share purchase warrants outstanding as at June 30, 2020:

Expiry Date	Number of Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
		(\$)	(yrs)
October 4, 2020	32,000	0.25	0.26
March 6, 2021	14,400	0.25	0.68
July 17, 2021	5,000,000	0.10	1.05
November 21, 2022	5,142,200	0.45	2.42
November 29, 2022	564,120	0.45	2.42
	10,752,720	0.28	1.76

The finder's warrants issued during the period were valued using the Black-Scholes option pricing model under the following weighted average assumptions:

	2020
Risk-free interest rate	0.26%
Expected life of options	2.40 yr
Volatility	100%
Expected dividend yield	Nil
Forfeiture rate	Nil
Weighted average fair value	\$0.14

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

10. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

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 risk is on its cash. The Company holds its cash in substantial financial institutions to mitigate risk. The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company prepares general operating budget to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company uses its best efforts to ensure that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's financial liabilities consist of accounts payable and accrued liabilities, all of which are due within twelve months.

The Company's main source of funding has been through the issuance of equity securities for cash. The Company's access to financing in the public markets is always uncertain. The Company is exposed to liquidity risk.

Commodity risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for gold and silver are impacted by world economic events that dictate the levels of supply and demand. The Company had no hedging contracts in place as at or during the year ended June 30, 2020.

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 is not exposed to significant interest rate risk.

Foreign exchange risk

Foreign currency exchange rate risk is the risk that the fair value of assets and future cash flows will fluctuate as a result of changes in foreign currency exchange rates. However, the Company's functional currency is the Canadian dollar and the Company doesn't have any material assets or operations that are denominated in a foreign currency. Accordingly, the Company is not exposed to any material foreign exchange risk and has not hedged its limited exposure to currency fluctuations.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

10. FINANCIAL RISK MANAGEMENT (continued)

Classification of financial instruments

The Company classifies its other financial assets and other financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

Financial assets included in the statement of financial position are cash. Financial liabilities included in the statement of financial position include accounts payable and accrued liabilities. The fair value of cash is measured using Level 1 of the fair value hierarchy. The fair value of accounts payable and accrued liabilities approximate the carrying amount due to their short term to maturity. The effect of changes in the Company's credit risk do not have a significant impact on the fair value due to the short term to maturity.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of the components of shareholders' equity.

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. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt and acquire or dispose of assets.

The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the year ended June 30, 2020.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segments being the acquisition, exploration and evaluation of mineral resources properties.

The Company operates in one geographic segment located in Canada.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

12. INCOME TAX

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earnings before taxes. These differences result from the following items:

	2020	2019
	(\$)	(\$)
Loss before income taxes	(1,264,993)	(1,500)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax recovery based on the above rates	(342,000)	-
Increase (decrease) due to:		
Change in statutory tax rates and other items	(12,000)	-
Permanent differences	58,000	-
Tax effect of tax losses and temporary differences not recognized	296,000	-
Income tax (recovery) expense	-	-

The components of deferred income taxes are as follows:

	2020	2019
	(\$)	(\$)
<i>Deferred income tax assets</i>		
Non-capital losses	286,000	-
Share issuance costs	10,000	-
Total deferred income tax assets	296,000	-
Unrecognized deferred tax asset	(296,000)	-
Net deferred tax asset	-	-

In assigning the realization of deferred tax assets, management considers whether it is probable that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

The Company has non-capital loss carryforwards and share issuance costs of approximately \$1,060,000 and \$38,000, respectively, that may be available for tax purposes, expiring in 2040 and 2042, respectively.

SASSY RESOURCES CORPORATION

Notes to the Financial Statements

Year Ended June 30, 2020

(Expressed in Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

	June 30, 2020	June 30, 2019
	(\$)	(\$)
Non-cash investing and financing activities:		
Exploration and evaluation expenditures accrued through accounts payable	47,067	-
Issuance of finders warrants as share issuance costs	23,900	-
Shares issued for exploration and evaluation assets	2,562,500	-
Interest paid during the year	-	-
Income taxes paid during the year	-	-

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company:

- a) granted 850,000 incentive stock options to directors, officers and consultants. The options are exercisable at \$0.30 for a period of 5 years from the date of issuance.
- b) granted 200,000 incentive stock options to investor relations consultants. The options are exercisable at \$0.57 for a period of 5 years from the date of issuance.
- c) completed a non-brokered private placement wherein it issued 6,014,461 units at \$0.30 per unit for gross proceeds of \$1,804,338. Each unit is comprised of a common share and a share purchase warrant that entitles the holder to acquire an additional common share at \$0.50 for a period of 30 months from the date of closing. The Company paid \$35,280 in cash and issued 117,600 finder's warrants in connection with the placement.
- d) completed a non-brokered private placement wherein it issued 502,500 flow-through units at \$0.40 per flow-through unit for gross proceeds of \$201,000. Each unit is comprised of a common share and one half of a share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share at \$0.55 for a period of 30 months from the date of closing. The Company paid \$11,620 in cash and issued 29,050 finder's warrants in connection with the placement.
- e) issued 250,000 common shares in connection with the Foremore property option.
- f) issued 357,200 common shares pursuant to the exercise of share purchase warrants for cash proceeds of \$36,800.