# Snowy Owl Gold Corp.

**Financial Statements**

**For the Years Ended May 31, 2021 and 2020**

**Baker Tilly WM LLP**
900 – 400 Burrard Street
Vancouver, British Columbia
Canada V6C 3B7
**T:** +1 604.684.6212
**F:** +1 604.688.3497

vancouver@bakertilly.ca
**www.bakertilly.ca**

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Snowy Owl Gold Corp.:

### *Opinion*

We have audited the financial statements of Snowy Owl Gold Corp. (the "Company"), which comprise the statements of financial position as at May 31, 2021 and 2020 and the statements of loss and comprehensive loss, statements of changes in shareholders' equity and statements of cash flows for the years ended May 31, 2021 and 2020 and notes to the financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits 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 audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 in the financial statements, which describes events and conditions indicating 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 comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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 audits 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 audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 International Financial Reporting Standards, 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 Anna C. Moreton.

Baker Tilly WM LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, B.C.

September 17, 2021

## Snowy Owl Gold Corp.

**Statements of Financial Position**

(Stated in Canadian Dollars)

| | Notes | May 31, 2021 | May 31, 2020 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | | $ 472,653 | $ 119,551 |
| GST receivable | | 9,073 | - |
| Prepaid expenses | | 44,850 | - |
| **Total current assets** | | 526,576 | 119,551 |
| **Exploration and evaluation assets** | **4** | 744,450 | 325,000 |
| **TOTAL ASSETS** | | $ 1,271,026 | $ 444,551 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **7** | $ 74,727 | $ 42,632 |
| **Shareholders' equity** | | | |
| Common shares | **5** | 1,461,793 | 375,000 |
| Share subscriptions received | | - | 50,000 |
| Special warrants | **5** | - | 30,373 |
| Share-based payments reserve | **6** | 97,300 | - |
| Deficit | | (362,794) | (53,454) |
| **Total equity** | | 1,196,299 | 401,919 |
| **TOTAL LIABILITIES AND EQUITY** | | $ 1,271,026 | $ 444,551 |

| | |
|---|---|
| **Nature and continuance of operations** | **1** |
| **Subsequent events** | **12** |

**Approved on behalf of the Board of Directors:**

*"David Patterson"*
David Patterson, Director

*"Raymond Wladichuk"*
Raymond Wladichuk, Director

## Snowy Owl Gold Corp.

**Statements of Loss and Comprehensive Loss**
(Stated in Canadian Dollars)

| | Notes | Year ended May 31, 2021 | 2020 |
|---|---|---|---|
| **Expenses** | | | |
| Consulting fees | | $ 6,250 | $ - |
| Filing and listing fees | | 21,308 | - |
| General and administrative | **7** | 20,255 | 1,575 |
| Management fees | **7** | 26,000 | - |
| Professional fees | | 123,655 | 44,972 |
| Promotion | | 25,972 | - |
| Share-based payments | **6,7** | 85,900 | - |
| **Loss and comprehensive loss for the year** | | $ (309,340) | $ (46,547) |
| **Weighted average number of common shares outstanding** | **5** | | |
| Basic | | 23,125,285 | 2,799,180 |
| Diluted | | 23,125,285 | 2,799,180 |
| **Basic and diluted loss per common share** | **5** | $ (0.01) | $ (0.02) |

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

# Snowy Owl Gold Corp.

**Statements of Changes in Shareholders' Equity**

(Stated in Canadian Dollars)

| | Common Shares Number | Common Shares Amount | Special Warrants | Share Subscriptions Received | Share-based Payments Reserve | Deficit | Total |
|---|---|---|---|---|---|---|---|
| **Balance at May 31, 2019** | 2,000,000 | $ 50,000 | $ 30,373 | $ - | $ - | $ (6,907) | $ 73,466 |
| Issue of common shares for exploration and evaluation assets | 6,500,000 | 325,000 | - | - | - | - | 325,000 |
| Share subscriptions received | - | - | - | 50,000 | - | - | 50,000 |
| Loss for the year | - | - | - | - | - | (46,547) | (46,547) |
| **Balance at May 31, 2020** | 8,500,000 | 375,000 | 30,373 | 50,000 | - | (53,454) | 401,919 |
| Common shares issued for cash: | | | | | | | |
| Private placements | 17,520,000 | 876,000 | - | (50,000) | - | - | 826,000 |
| Share issue costs | 936,000 | (64,580) | - | - | 11,400 | - | (53,180) |
| Exercise of warrants | 50,000 | 5,000 | - | - | - | - | 5,000 |
| Conversion of special warrants to common shares | 815,000 | 30,373 | (30,373) | - | - | - | - |
| Issue of common shares for exploration and evaluation assets | 4,000,000 | 240,000 | - | - | - | - | 240,000 |
| Share-based payments | - | - | - | - | 85,900 | - | 85,900 |
| Loss for the year | - | - | - | - | - | (309,340) | (309,340) |
| **Balance at May 31, 2021** | 31,821,000 | $ 1,461,793 | $ - | $ - | $ 97,300 | $ (362,794) | $ 1,196,299 |

## Snowy Owl Gold Corp.
### Statements of Cash Flows
(Stated in Canadian Dollars)

| | Year ended May 31, 2021 | 2020 |
|---|---|---|
| **Operating activities** | | |
| Loss | $ (309,340) | $ (46,547) |
| Item not involving cash: | | |
| Share-based payments | 85,900 | - |
| Changes in non-cash working capital item: | | |
| GST receivable | (9,073) | - |
| Trade and other payables | (1,413) | 42,632 |
| **Net cash used in operating activities** | (233,926) | (3,915) |
| **Investing activities** | | |
| Prepaid expenses on exploration and evaluation assets | (44,850) | - |
| Expenditures on exploration and evaluation assets | (145,942) | - |
| **Net cash used in investing activities** | (190,792) | - |
| **Financing activities** | | |
| Share subscriptions received | - | 50,000 |
| Proceeds from issuance of common shares, net of issue costs | 777,820 | - |
| **Net cash provided by financing activities** | 777,820 | 50,000 |
| **Change in cash during the year** | 353,102 | 46,085 |
| **Cash, beginning of year** | 119,551 | 73,466 |
| **Cash, end of year** | $ 472,653 | $ 119,551 |
| **Supplemental Cash Flow Information** | | |
| Income taxes paid | $ - | $ - |
| Interest paid (received) | $ - | $ - |
| **Non-cash Financing and Investing Activities** | | |
| Issuance of common shares for exploration and evaluation assets | $ 240,000 | $ 325,000 |
| Trade and other payables included in exploration and evaluation assets | $ 33,508 | $ - |

## 1. Nature and Continuance of Operations

Snowy Owl Gold Corp. (the "Company") was incorporated on November 9, 2018 pursuant to the Business Corporations Act (British Columbia). On January 8, 2021, a Prospectus filed by the Company was given final receipt by the British Columbia Securities Commission. On January 18, 2021, the Company's common shares began trading on the Canadian Securities Exchange (the "CSE") under the symbol 'SNOW'.

These financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2021, the Company had not yet determined whether the Company's mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time.

During the first quarter of 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

As at May 31, 2021, the Company had not yet achieved profitable operations, has accumulated losses of $362,794 since inception, and expects to incur further losses in the development of its business. These factors indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company's continuation as a going concern is primarily dependent upon its ability to raise financing from equity markets or borrowings and upon successful results from its mineral property exploration activities. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these financial statements.

The office of the Company is located at 1100 – 1111 Melville Street, Vancouver, BC, V6E 2Y3.

## 2. Basis of Preparation

a) Statement of compliance

The Company has prepared its financial statements in accordance with IFRS issued by the IASB and Interpretations of the IFRS Interpretations Committee ("IFRICs").

b) Basis of presentation

The financial statements are presented in Canadian dollars and all values are rounded to the nearest dollar except where otherwise indicated. The financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in note 3.

c) Approval of the financial statements

The financial statements of the Company for the years ended May 31, 2021 and 2020 were approved and authorized for issue by the Board of Directors on September 17, 2021.

d) Recent accounting pronouncements and changes to accounting policies

During the year ended May 31, 2021, the Company adopted the following new accounting pronouncements:

i) IFRS 3 – The definition of a business has been amended under IFRS 3. Under the amended definition, to be considered a business an acquisition must include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present. Under the prior definition, IFRS 3 stated that a business need not include all of the inputs or processes that the seller used in operating that business "if market participants are capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes".

The reference to such integration is now deleted from IFRS 3 in the amendment and the assessment must be based on what has been acquired in its current state and condition. This amendment did not materially impact the Company's financial statements upon adoption of this standard.

As at May 31, 2021, there are no future accounting pronouncements that would materially impact the Company's financial statements upon adoption.

## 3. Summary of Significant Accounting Policies

a) Cash

Cash in the statements of financial position comprise cash at banks, or held in trust, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash, and subject to insignificant risk of changes in fair value.

**3. Summary of Significant Accounting Policies (cont'd)**

b) Foreign currencies

The financial statements are presented in Canadian dollars. The Company's functional currency is the Canadian dollar, which is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency rate of exchange at the date of the statement of financial position.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

c) Exploration and evaluation expenditures

Costs incurred before the Company has obtained the legal rights to explore an area are expensed in the period in which they are incurred.

Once the legal right to explore a property has been acquired, costs to acquire the property along with costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are charged to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within that mining property.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest.

Mineral exploration and evaluation expenditures are classified as intangible assets.

**3. Summary of Significant Accounting Policies (cont'd)**

d) Impairment of assets

The carrying amount of the Company's assets (which include exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects 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 cash-generating unit to which the asset belongs. 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, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous periods.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

e) Decommissioning, restoration and similar liabilities

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

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

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

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable. The Company currently has no known material restoration, rehabilitation and environmental obligations.

**3. Summary of Significant Accounting Policies (cont'd)**

f) Share capital

Common shares, options and warrants are classified as equity. Transaction costs directly attributable to the issue of common shares and options are recognized as a deduction from equity, net of any tax effects.

The Company bifurcates units which consist of common shares and share purchase warrants using the residual value approach, whereby it measures the common share component of the unit at fair value using market prices as input values and then allocates the residual value of the units over the fair value of the common shares to the warrant component. The value of the warrant component is credited to share-based payment reserve. When warrants are exercised, forfeited or expire, the corresponding value is transferred from share-based payment reserve to common stock.

g) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: (a) a flow-through share premium equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (b) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until qualifying expenditures are incurred.

h) Share-based payments

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued for goods or services to other than employees, the transaction is measured at the fair value of the goods or services received by the Company. When the value of the goods or services cannot be specifically identified, they are measured at the fair value of the share-based payment.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share-based payments reserve.

**3. Summary of Significant Accounting Policies (cont'd)**

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional amount is recognized on the same basis as the amount of the original award for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

i) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

<u>Current income tax</u>

Current income tax assets and liabilities for the current and prior periods 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 substantively enacted by the date of the statement of financial position.

<u>Deferred income tax</u>

Deferred income taxes are provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable earnings; and

**3. Summary of Significant Accounting Policies (cont'd)**

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the date of each statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the date of each statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statements of loss and comprehensive loss.

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

j) Income (loss) per share

The Company presents basic and diluted income (loss) per share data for its common shares. Basic income (loss) per share is computed by dividing the income (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

k) Financial instruments

i) Recognition
The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectation of recovering the contractual cash flows of a financial asset.

**3. Summary of Significant Accounting Policies (cont'd)**

ii) Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

a) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI"); and,
b) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost;
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or
iii) FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

The Company's financial assets consists of cash which are classified and subsequently measured at amortized cost. The Company's financial liabilities consist of trade and other payables which are classified and measured at amortized cost using the effective interest rate method. The 'effective interest rate' is the rate that discounts estimated future cash payments over the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortized cost of the financial liability. The effective interest rate is calculated considering all contractual terms of the financial instruments, except for the expected credit losses of financial assets. Interest expense is reported in profit or loss.

iii) Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

**3. Summary of Significant Accounting Policies (cont'd)**

l) Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The areas that require significant estimations or where measurements are uncertain are as follows:

*Share-based payments*
The Company issued 6,500,000 common shares to acquire mineral claims. The Company valued the common shares at $0.05 per share. The price of the Company's recent special warrant financing was used as a valuation reference point. The Company issued 4,000,000 common shares to acquire mineral claims. The Company valued the common shares at $0.06 per share being the closing price of the Company's shares on the date of issue.

The Company granted 1,000,000 stock options and the Company recognized $24,900 for share-based payments. The fair value of the 1,000,000 stock options was estimated using the Black-Scholes option pricing model. The Company granted 1,600,000 stock options and the Company recognized $61,000 for share-based payments. The fair value of the 1,600,000 stock options was estimated using the Black-Scholes option pricing model.

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying accounting policies in the Company's financial statements includes:

*Going Concern*
The determination of the Company's ability to continue as a going concern requires significant judgment. Material adjustments to the Company's assets and liabilities would be required if the going concern assumption was not used.

*Mineral Property Interests*
Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Exploration and Evaluation Expenditures*
The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is charged to profit or loss in the period the new information becomes available.

(Stated in Canadian Dollars)

**4. Exploration and Evaluation Assets**

Golden Eagle Project

On April 17, 2020, the Company purchased 161 mineral claims covering an estimated 8,887 hectares located in south-western Quebec, Canada.

The Company purchased these claims for consideration of 6,500,000 common shares of the Company. The Company valued the common shares at $0.05 per share and capitalized $325,000 to exploration and evaluation assets during the year ended May 31, 2020.

Panache Gold Project

On March 19, 2021, the Company entered into an agreement to purchase 12 mineral claims comprising the Panache Gold Project, Quebec. The Company will pay $25,000 in cash and issued 4,000,000 common shares at a price of $0.06 per share. The Panache Gold Project is subject to a 2% Net Smelter Returns royalty, which may be reduced to 1% at any time through the payment of $1,000,000.

The Company has incurred the following expenditures during the years ended May 31, 2021 and 2020:

| | Golden Eagle | Panache | Total |
|---|---|---|---|
| Balance at May 31, 2019 | $ - | $ - | $ - |
| Acquisition costs | 325,000 | - | 325,000 |
| Balance at May 31, 2020 | 325,000 | - | 325,000 |
| Acquisition costs | - | 265,000 | 265,000 |
| Geology, compliance and reporting | 48,559 | 9,953 | 58,512 |
| Geophysics | 95,938 | - | 95,938 |
| Balance at May 31, 2021 | $ 469,497 | $ 274,953 | $ 744,450 |

**5. Shareholders' Equity**

a) Authorized:

An unlimited number of common shares with no par value.
An unlimited number of preferred shares with no par value.

b) During the years ended May 31, 2021 and 2020, the Company issued the following common shares:

i) On December 15, 2020, the Company completed a private placement of: (i) 5,300,000 units (each a "Unit") at a price of $0.05 per Unit; and (ii) 1,970,000 Common Shares on a "flow-through" basis (each a "FT Share") at a price of $0.05 per FT Share, for aggregate gross proceeds of $363,500. Each Unit consists of (i) one Common Share and (ii) one-half of one transferable Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional Common Share in the capital of the Company at a price of $0.10 per Warrant Share until December 15, 2022.

**5. Shareholders' Equity (cont'd)**

In connection with the private placement, the Company issued an aggregate of 564,000 Finder Warrants and 564,000 Finder Shares to registered dealers. The 564,000 Finder Warrants issued have an exercise price of $0.10 and expire December 15, 2022 (note 6). The Company did not pay any cash finder's fees in connection with the private placement.

For the Units issued, the Company valued the Common Share component at $0.05 per Unit and valued the Warrant component at $nil per Unit. For the FT Shares issued, the Company determined that there was not flow-through share premium and 100% of the FT Share proceeds were recorded as equity.

ii) On June 25, 2020, the Company issued 7,000,000 units (each a "Unit") at a price of $0.05 per Unit for gross proceeds of $350,000. Each Unit consists of one common share and one-half of one transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one additional common share (the "Warrant Shares") in the capital of the Company at a price of $0.10 per Warrant Share until June 25, 2022.

Also on June 25, 2020, the Company issued 3,250,000 common shares on a "flow-through" basis (each a "FT Share") at a price of $0.05 per FT Share for gross proceeds of $162,500.

For the Units issued, the Company valued the Common Share component at $0.05 per Unit and valued the Warrant component at $nil per Unit. For the FT Shares issued, the Company determined that there was not flow-through share premium and 100% of the FT Share proceeds were recorded as equity.

In connection with the June 25, 2020 private placements, the Company paid finder's fees to registered dealers totaling $36,600 in cash and issued an aggregate of 364,000 warrants and 372,000 common shares with a fair value of $0.05 per share. The 364,000 warrants issued as finder's fees have an exercise price of $0.10 and expire June 25, 2022 (note 6).

iii) On April 17, 2020, the Company issued 6,500,000 common shares to seven individuals and companies for 161 mineral claims covering an estimated 8,867 hectares located in south-western Quebec, Canada. The Company valued the common shares at $0.05 per share. The price of the Company's recent special warrant financing was used as a valuation reference point.

c) During the period from incorporation on November 9, 2018 to May 31, 2019, the Company issued the following special warrants:

On April 19, 2019, the Company issued 665,000 special warrants at $0.05 per special warrant for gross proceeds of $33,250. These special warrants will automatically convert into common shares of the Company on a one for one basis upon a prospectus being filed that qualifies these special warrants. The Company incurred $2,877 of cash issuance costs and issued 150,000 special warrants as finders fees with the same terms as above. In conjunction with the Prospectus receipt (note 1), on January 11, 2021, all 815,000 outstanding Special Warrants were converted to common shares at no additional cost.

(Stated in Canadian Dollars)

**5. Shareholders' Equity (cont'd)**

d) The changes in warrants issued during the years ended May 31, 2021 and 2020 are as follows:

| | Year ended May 31, 2021 | | Year ended May 31, 2020 | |
|---|---|---|---|---|
| | Number of warrants | Weighted-average exercise price | Number of warrants | Weighted-average exercise price |
| Balance, beginning of year | - | $ - | - | $ - |
| Issued | 7,078,000 | $ 0.10 | - | $ - |
| Exercised | (50,000) | $ 0.10 | - | $ - |
| Balance, end of year | 7,028,000 | $ 0.10 | - | $ - |

Warrants exercisable and outstanding as at May 31, 2021 are as follows:

| Expiry Date | Number of Warrants | Exercise Price |
|---|---|---|
| June 25, 2022 | 3,450,000 | $0.10 |
| June 25, 2022 | 364,000 | $0.10 |
| December 15, 2022 | 2,650,000 | $0.10 |
| December 15, 2022 | 564,000 | $0.10 |
| | 7,028,000 | |

e) Loss per share:

Basic and diluted loss per share

| | Year ended May 31, 2021 | 2020 |
|---|---|---|
| Numerator: | | |
| Net loss | $ (309,340) | $ (46,547) |
| Denominator: | | |
| Weighted average number of common shares (basic) | 23,125,285 | 2,799,180 |
| Dilutive effect of stock options, warrants and special warrants | - | - |
| Weighted average number of common shares (diluted) | 23,125,285 | 2,799,180 |
| Basic and diluted loss per common share | $ (0.01) | $ (0.02) |

**6. Share-based Payments**

a) Stock options:

On June 4, 2020, the Company adopted an option plan in accordance with the rules and policies of the CSE. The terms of any award are determined by the Board, provided that no options may be granted with an exercise price lower than the greater of the closing market price of the Common Shares on (a) the trading day prior to the date of the grant of the stock options, and (b) the date of grant of the stock options; and the term may not exceed 10 years. The aggregate number of securities available for issuance under the plan may not exceed 10% of the number of common shares of the Company issued and outstanding from time to time.

On June 4, 2020, the Company granted 1,000,000 stock options to Directors and officers, each option is exercisable to acquire a common share at an exercise price of $0.10 expiring June 4, 2025. The stock options vested immediately upon grant. The Company recognized $24,900 for share-based payments.

On March 22, 2021, the Company granted 1,600,000 stock options to a Director and consultants, each option is exercisable to acquire a common share at an exercise price of $0.06 expiring March 22, 2026. The stock options vested immediately upon grant. The Company recognized $61,000 for share-based payments.

The fair value of the 2,600,000 stock options was estimated using the Black-Scholes option pricing model assuming a weighted average risk-free interest rate of 0.76%, a dividend yield of nil, a weighted average expected annual volatility of the Company's share price of 80% and an expected life of 5 years. The fair value of the stock options was $0.03 per option. The expected volatility assumption is based on the estimated volatility of early-stage mineral exploration companies. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the options' expected life.

b) Finder's warrants:

On June 25, 2020, the Company issued an aggregate of 364,000 warrants as finder's fees. These warrants have an exercise price of $0.10 and expire on June 25, 2022. The fair value of the 364,000 finder's warrants was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.26%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80% and an expected life of 2 years. The fair value of the finder's warrants was $0.01 per warrant.

On December 15, 2020, the Company issued an aggregate of 564,000 warrants as finder's fees. These warrants have an exercise price of $0.10 and expire on December 15, 2022. The fair value of the 564,000 finder's warrants was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 0.25%, a dividend yield of nil, an expected annual volatility of the Company's share price of 80% and an expected life of 2 years. The fair value of the finder's warrants was $0.01 per warrant.

The expected volatility assumption is based on the estimated volatility of early-stage mineral exploration companies. The risk-free interest rate is based on yield curves on the Canadian government zero-coupon bonds or Canadian government treasury bills with a remaining term equal to the warrants' expected life.

## 7. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

The following is a summary of the related party transactions that occurred during the years ended May 31, 2021 and 2020.

a) Compensation of key management personnel

The Company has determined that key management personnel consist of its Directors, the CEO and CFO.

The Company paid both its CEO and CFO $13,000 each (2020 - $nil) for management fees.

The Company granted 800,000 stock options to Directors and officers with an exercise price of $0.10 expiring June 4, 2025, and 200,000 stock options to a Director with an exercise price of $0.06 expiring March 22, 2026. The stock options vested immediately upon grant.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits.

b) Other related party transactions

i) During the year ended May 31, 2021, the Company incurred $nil (2020 - $1,575) of administrative fees to a company related by a common director.

ii) During the year ended May 31, 2020, the Company issued 1,500,000 common shares at a price of $0.05 per share to a director of the Company in exchange for mineral claims.

## 8. Financial Instruments

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management manages financial risks. The Company does not enter into financial instruments agreements, including derivative financial instruments for speculative purposes. The Company's main financial risks exposure and its financial policies are as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash is exposed to credit risk, with the carrying value being the Company's maximum exposure. The Company's cash consists of funds held in a Canadian chartered bank. Management believes the Company's exposure to credit risk is minimal.

(Stated in Canadian Dollars)

## 8. Financial Instruments (cont'd)

b) Interest rate risk

Interest rate risk is the risk that the fair value or 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 as cash only comprises funds held at a Chartered Canadian bank and in trust with the Company's corporate lawyer. The Company had no interest rate swaps or financial contracts in place as at or during the years ended May 31, 2021 and 2020.

c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company seeks to ensure that it has sufficient capital to meet short term financial obligations after taking into account its operating obligations and cash on hand.

A breakdown of the Company's aged trade and other payables is as follows:

| | Year ended May 31, 2021 | Year ended May 31, 2020 |
|---|---|---|
| Less than 90 days | $ 72,711 | $ 27,756 |
| Between 90 days and 1 year | 2,016 | 14,876 |
| Greater than 1 year | - | - |
| | $ 74,727 | $ 42,632 |

Fair value estimates are made at the statement of financial position date, based on relevant market information and other information about financial instruments. As at May 31, 2021 and 2020, the Company's financial instruments are cash and trade and other payables. The amounts reflected in the statement of financial position approximate their fair values due to the short-term nature of these financial instruments.

## 9. Capital Management

The Company's capital currently consists of common shares and its principal source of cash is from the issuance of equity instruments. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to acquire and explore mineral property assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the 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 the capital structure, the Company may attempt to issue new shares or special warrants.

As the Company's mineral properties are in the exploration stage, the Company is dependent on external financing to fund its activities. In order to carry out its operations, the Company will spend its existing working capital and raise additional amounts as needed.

(Stated in Canadian Dollars)

## 10. Segmented Information

At May 31, 2021 the Company has one reportable operating segment being the acquisition and exploration of mineral property assets. All of the Company's assets are located in Canada.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and
- for which discrete financial information is available.

## 11. Income Taxes

Tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates, applicable to the Company, to the income (loss) before income taxes due to the following:

| | Year ended May 31, 2021 | 2020 |
|---|---|---|
| Income (loss) before income taxes | $ (309,340) | $ (46,547) |
| Canadian federal and provincial income tax rate | 26.5% | 26.5% |
| Income tax expense (recovery) based on Canadian federal and provincial income tax rates | (81,975) | (12,335) |
| Increase (decrease) in income taxes attributable to: | | |
| Renunciation of flow-through share expenditures | 69,165 | - |
| Other | (6,453) | (550) |
| Non-deductible expenses | 22,764 | - |
| Tax benefits not recognized | (3,501) | 12,885 |
| Income tax (recovery) | $ - | $ - |

Unrecognized deductible temporary differences and unused tax losses are attributable to the following:

| | Year ended May 31, 2021 | 2020 |
|---|---|---|
| Exploration and evaluation assets | $ (69,165) | $ - |
| Share issuance costs | 25,021 | 1,958 |
| Non-capital loss carry forwards | 80,159 | 14,957 |
| | 36,015 | 16,915 |
| Less: tax benefits not recognized | (36,015) | (16,915) |
| | $ - | $ - |

At May 31, 2021 the Company has non-capital losses of approximately $303,000 available for carry-forward to reduce future years' income taxes, expiring on various dates up to May 31, 2041. As at May 31, 2021, the Company has $106,500 flow-through funds remaining to be spent.

**12. Subsequent Events**

Subsequent to May 31, 2021, the following transactions occurred:

a) The Company issued 200,000 common shares pursuant to the exercise of 200,000 stock options for proceeds of $20,000.

b) The Company issued 300,000 common shares pursuant to the exercise of 300,000 warrants for proceeds of $30,000.

c) The Company issued 1,000,000 compensation warrants to consultants with an exercise price of $0.135 per warrant expiring on July 14, 2022.

d) The Company issued 1,000,000 compensation warrants to consultants with an exercise price of $0.12 per warrant expiring on July 26, 2022.

e) The Company granted 500,000 stock options to consultants with an exercise price of $0.135 per option expiring on July 14, 2026.