BLACK SHIELD
METALS CORP.

(AN EXPLORATION STAGE COMPANY)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MAY 31, 2021 AND 2020

(EXPRESSED IN CANADIAN DOLLARS)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Black Shield Metals Corp.

Opinion

We have audited the financial statements of Black Shield Metals Corp. (the "Company") which comprise the statements of financial position as at May 31, 2021 and 2020, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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 as issued by the International Accounting Standards Board.

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 Auditors' 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 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 accompanying financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be 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 audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 as issued by the International Accounting Standards Board, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
August 10, 2021

BLACK SHIELD
METALS CORP.

STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Note	As at May 31, 2021	As at May 31, 2020
		$	**$**
ASSETS			
Current Assets			
Cash		376,756	68,048
Prepaid expenses and other receivables	5	59,256	10,012
		436,012	78,060
Exploration and evaluation assets	6	20,000	20,000
TOTAL ASSETS		456,012	98,060
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Trade payables and accrued liabilities	7, 10	121,634	52,525
Liabilities		121,634	52,525
Shareholders' Equity			
Share capital	8	547,712	87,100
Share subscriptions received	8	-	11,250
Reserves	9	71,755	-
Deficit		(285,089)	(52,815)
		334,378	45,535
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		456,012	98,060

Nature of operations and going concern (note 1)

Approved on behalf of the Board of Directors

"Kevin Ma"	"Desmond Balakrishnan"
Director	Director

BLACK SHIELD
METALS CORP.

STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Note	For the Year Ended May 31, 2021	For the Year Ended May 31, 2020
		$	$
OPERATING EXPENSES			
Exploration and evaluation costs	6	770	29,527
Filing fees		76,088	-
Insurance expense		1,162	-
Management fees	10	4,500	-
Office and administration		4,921	202
Professional fees		110,874	22,986
Share-based payments	9, 10	30,824	-
Travel and entertainment		3,135	-
		(232,274)	(52,715)
NET AND COMPREHENSIVE LOSS		(232,274)	(52,715)
BASIC AND DILUTED LOSS PER SHARE		(0.06)	(0.16)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		4,134,932	322,741

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

BLACK SHIELD
METALS CORP.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Note	Common Shares Number of shares	Common Shares Amount	Share Subscriptions Received	Reserves	Accumulated Deficit	Total
			$	$	$	$	$
Balance at May 31, 2019		**1**	**100**	**-**	**-**	**-**	**100**
Shares issued for cash	8	3,300,000	87,000	-	-	-	87,000
Cash received in advance of financing	8	-	-	11,250	-	-	11,250
Comprehensive loss for the year		-	-	-	-	(52,715)	(52,715)
Balance at May 31, 2020		**3,300,001**	**87,100**	**11,250**	**-**	**(52,815)**	**45,535**
Shares issued for cash, net of issuance costs	8	5,750,000	460,612	-	40,931	-	501,543
Stock options granted	9	-	-	-	30,824	-	30,824
Return of cash received in advance of financing	8	-	-	(11,250)		-	(11,250)
Comprehensive loss for the year		-	-	-	-	(232,274)	(232,274)
Balance at May 31, 2021		**9,050,001**	**547,712**	**-**	**71,755**	**(285,089)**	**334,378**

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

BLACK SHIELD
METALS CORP.

STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	For the Year Ended	
	May 31, 2021	**May 31,2020**
	$	**$**
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss	(232,274)	(52,715)
Adjustments for items not affecting cash:		
Share-based payments	30,824	-
	(201,450)	(52,715)
Changes in non-cash working capital items:		
Prepaid expenses and other receivables	(49,244)	(10,012)
Trade payables and accrued liabilities	69,109	52,525
Cash used in operating activities	(181,585)	(10,202)
INVESTING ACTIVITIES		
Acquisition of exploration and evaluation assets	-	(20,000)
Cash used in investing activities	-	(20,000)
FINANCING ACTIVITIES		
Proceeds from issuance of shares	501,543	87,000
Share subscriptions received	-	11,250
Return of share subscriptions received	(11,250)	-
Cash provided by financing activities	490,293	98,250
Change in cash during the year	308,708	68,048
Cash – beginning of year	68,048	-
Cash – end of year	376,756	68,048
Supplemental Cash Flow Information		
Income tax paid	-	-
Interest paid	-	-

1. NATURE OF OPERATIONS AND GOING CONCERN

Black Shield Metals Corp. ("BSM" or the "Company") was incorporated on October 13, 2017 under the British Columbia Corporations Act. The Company changed its name from ZP Mining Inc. to Black Shield Metals Corp. on February 7, 2020. The Company's common shares are listed for trading on the Canadian Stock Exchange (the "Exchange") under the symbol "BDX". The address of the Company and the registered and records office is 1500-1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. As at May 31, 2021, the Company has not yet determined whether its property contains 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 future profitable production from the properties or realizing proceeds from their disposition.

The Company's financial statements for the years ended May 31, 2021 and 2020 have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities and commitments in the normal course of business. For the year ended May 31, 2021, the Company incurred a net loss of $232,274 (2020 - $52,715). As at May 31, 2021, it had an accumulated deficit of $285,089, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values are dependent upon obtaining additional financing sufficient to cover its operating costs.

Although management is currently seeking additional sources of equity or debt financing, there is no assurance these activities will be successful. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favorable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

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, economics, 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 results of operations at this time. To date, the impact on the Company's operations has been minimal, however, management continues to monitor the situation.

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Statement of Compliance and Basis of Presentation
The financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of these financial statements as set out below. These policies have been consistently applied to all period presented, unless otherwise stated.

The financial statements were approved and authorized for issuance by the Board of Directors on August 10, 2021.

These financial statements have been prepared on a historical cost basis, modified where applicable. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The functional and presentation currency of the Company is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

Long-Lived Assets
Exploration and Evaluation Assets
All direct costs related to the acquisition of mineral properties held or controlled by the company are capitalized on an individual basis until the property is put into production, sold, abandoned, or determined to be impaired. All direct costs related to the exploration and evaluation of mineral properties are recognized in the statement of comprehensive loss in the year in which the costs are incurred.

The Company classifies its mineral properties as exploration and evaluation assets until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. At this point, the exploration and evaluation assets are transferred to property and equipment. The establishment of technical feasibility and commercial viability of a mineral property is assessed based on a combination of factors, such as the extent of established mineral reserves, the results of feasibility and technical evaluations, and the status of mining leases or permits.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Lived Assets (continued)

Impairment

The Company's assets are reviewed for indication of impairment at each statement of financial position date. If any such indication exists, an estimate of the recoverable amount is undertaken, being the higher of an asset's fair value less costs of disposal ("FVLCD") and its value in use ("VIU"). If the asset's carrying amount exceeds its recoverable amount, then an impairment loss is recognized in the statement of loss and comprehensive loss.

FVLCD is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value of mineral assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects.

VIU is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and from its ultimate disposal.

Impairment is normally assessed at the level of cash-generating units, which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

Reversal of Impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

Asset Retirement Obligation

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits in banks. The Company does not have any cash equivalents as of May 31, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Related parties may be individuals or corporate entities. A transaction is considered to be a related party when there is a transfer of resources or obligations between related parties.

Current and Deferred Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising 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 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 by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

Financial instruments are accounted for in accordance with IFRS 9 "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another equity.

Financial Assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. The Company measures cash at FVTPL.

Impairment of Financial Assets

IFRS 9 uses the expected credit loss ("ECL") model. The credit loss model groups receivables based on similar credit risk characteristics and days past due in order to estimate bad debts. The ECL model applies to the Company's receivables.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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.

Financial Liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities required to be measured at FVTPL or if the Company has opted to measure them at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trades payable are measured at amortized cost.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Share-Based Payments

The Company may grant stock options to directors, officers, employees and/or consultants. The fair value of stock options is measured on the grant date, using the Black-Scholes option pricing model and is recognized over the vesting period of the related options. Consideration paid for the shares on the exercise of stock options is credited to share capital. Share-based payments to non-employees are measured at the fair value of the goods or services received for the fair value of the equity instruments issued. If it is determined that fair value of the goods or services cannot be reliably measured and are recorded on to the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve.

Reserves

Reserves record items recognized as share-based compensation until such time that the options or compensatory warrants are exercised, at which time the corresponding amount is reallocated to share capital. Amounts recorded for forfeited or expired options or warrants are transferred to deficit.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the options or compensatory warrants, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option or warrant.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical Estimates
Areas requiring a significant degree of estimation relate to fair value measurements for financial instruments and the valuation of share-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from these estimates.

Critical Judgments
The following are critical judgments that management has made in the process of applying policies that have the most significant effect on the amount recognized in the financial statements:

<u>Going Concern</u>
The assessment of the Company's ability to continue as a going concern involves critical judgment based on historical experience. Significant judgements are used in the Company's assessment of its ability to continue as a going concern which is described in Note 1.

<u>Impairment of Exploration and Evaluation Assets</u>
The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

Management reviews the carrying values of its mining claims on at least an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, capitalized costs related to relinquished property rights are written off in the period of relinquishment. Capitalized costs in respect of the Company's exploration and evaluation assets may not be recoverable and there is a risk that these costs may be written down in future periods.

Management reviewed exploration and evaluation assets for the years ended May 31, 2021 and 2020, and did not recognize an impairment charge on its exploration and evaluation assets.

(Expressed in Canadian Dollars)

4. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

The Company has completed a review of accounting standards and has determined there are no IFRS or International Financial Reporting Interpretations Committee interpretations that would be expected to have a material impact on the Company's financial statements.

5. PREPAID EXPENSES AND OTHER RECEIVABLES

	2021	2020
	$	**$**
Prepaid expenses	50,650	10,000
GST receivables	8,606	12
	59,256	**10,012**

6. EXPLORATION AND EVALUATION ASSETS

Acquisition expenditures for the years ended May, 2021 and 2020 are as follows:

		CHG Project
	2021	**2020**
	$	**$**
Balance, beginning of the year	20,000	-
Acquisition cost	-	20,000
	20,000	**20,000**

CHG Project (BC, Canada)

On March 23, 2020, the Company entered into an option agreement (the "Agreement") with Cariboo Rose Resources Ltd. ("CRR"), an unrelated company. Under the terms of the Agreement, the Company can earn a 60% interest and up to 10% additional interest in CRR's carbonate hosted gold ("CHG") project. Upon the exercise of the option, the parties will be deemed to have established a joint venture in relation to the property.

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Under the terms of the Agreement, the Company is required to make payments and incur the minimum required expenditures in accordance to the following payment schedule in order to earn a 60% interest:

Payment Period	Expenditures	Cash Payment
	$	**$**
Closing Date (paid)	-	20,000
On or before October 29, 2021	100,000	30,000
On or before October 29, 2022	200,000	30,000
On or before October 29, 2023	300,000	70,000
On or before October 29, 2024	400,000	70,000
On or before October 29, 2025	500,000	80,000
Total	**1,500,000**	**300,000**

At the option of the Company, any of the cash payments noted above or below for the 10% additional interest may be satisfied by the issuance of common shares of the Company.

In order to obtain the 10% additional interest, the Company must do the following:

- pay $100,000 within 60 days of exercising the option;
- commission a feasibility study within 60 days of exercising the option; the feasibility study is to be completed within 24 months following the exercise of the option;
- pay $200,000 on or before October 29, 2026; and
- pay $200,000 on or before October 29, 2027.

The CHG project is subject to a 0.5% net smelter royalty on commercial production from the mineral claims.

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	2021	**2020**
	$	**$**
Trade payables	13,136	15,248
Accrued liabilities	108,498	37,277
	121,634	**52,525**

8. SHARE CAPITAL

Authorized Share Capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued Share Capital

On April 20, 2020, the Company issued 2,600,000 common shares at a price of $0.02 for gross proceeds of $52,000 (see Note 10).

On May 15, 2020, the Company issued 700,000 common shares at a price of $0.05 for gross proceeds of $35,000 (see Note 10).

On April 8, 2021, the Company issued 5,750,000 common shares ("IPO Offering") at a price of $0.10 for gross proceeds of $575,000. The Company paid $57,500 as cash commission to the agent of the offering, $35,000 as corporate finance fee, and $15,957 in legal fees; in addition, the Company issued 575,000 agent's warrants to the agent at a price of $0.10 and expire on April 8, 2023. The fair value of the warrants was estimated to be $40,931 using the Black-Scholes model with the following inputs: i) exercise price: $0.10; ii) share price: $0.10; iii) term: 2.00 years; iv) volatility: 150%; v) risk-free interest rate: 2.40%.

During the year ended May 31, 2020, the Company received $11,250 in advanced of a proposed private placement offering. The proposed private placement offering did not take place and as a result, the $11,250 was refunded back to the investor during the year ended May 31, 2021.

Escrow shares

In connection with the Company's IPO completed during the year ended May 31, 2021, the Company entered into an Escrow Agreement whereby 3,200,001 common shares were held in escrow and are scheduled for release in accordance with the terms of the Escrow Agreement. As at May 31, 2021, there were 2,880,001 common shares in escrow.

(Expressed in Canadian Dollars)

9. RESERVES

Options

The Company has a stock option plan under which the Board of Directors may grant options to acquire common shares of the Company to qualified directors, officers, employees and other service providers. The stock options vest according to the provisions of the individual option agreements approved by the directors' resolutions and have a maximum life of 10 years. The plan allows for the issuance up to 10% of the number of issued and outstanding common shares of the Company at any time on a non-diluted basis.

On April 12, 2021, the Company granted 310,000 stock options to directors and officers. The options may be exercised within 10 years from the date of the grant at a price of $0.10 and vested on grant date.

	Number of Options		Weighted Average Exercise Price
Balance at May 31, 2020	-	$	-
Stock options granted – directors and officers	310,000		0.10
Exercisable at May 31, 2021	**310,000**	$	**0.10**

As at May 31, 2021, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable		Exercise Price	Expiry Date
310,000	310,000	$	0.10	April 12, 2031
310,000	**310,000**			

The Company recorded share-based compensation of $30,824 during the year ended May 31, 2021 (May 31, 2020 - $nil). All options granted were valued using the Black-Scholes Option Pricing Model with the following assumptions:

	2021	2020
Share price at grant date	$0.10	-
Volatility	173%	-
Risk-free interest rate	1.53%	-
Expected life of options	10 years	-
Dividend yield	0.00%	-
Exercise price	$0.10	-
Forfeiture rate	0.00%	-

(Expressed in Canadian Dollars)

9. RESERVES (Continued)

Warrants

On April 8, 2021, the Company granted 575,000 warrants to the Company's agent for its IPO offering. These warrants may be exercised within two years from the date of grant at a price of $0.10.

	Number of Warrants		Weighted Average Exercise Price
Balance at May 31, 2020	-	$	-
Warrants issued – agent	575,000		0.10
Exercisable at May 31, 2021	**575,000**	$	**0.10**

The expiry dates of warrants are as follows

Grant Date	Expiry Date		Exercise Price	Number of Warrants	Remaining Life (years)
April 8, 2021	April 8, 2023	$	0.10	575,000	1.85
		$	0.10	575,000	1.85

10. RELATED PARTY TRANSACTIONS

Key management personnel include the Company's Board of Directors and members of senior management. The Company's related parties include key management personnel, and companies related by way of directors or shareholders in common. Transactions with related parties for goods and services are made on normal commercial terms.

The remuneration of directors and key management personnel during the years ended May 31, 2021 and 2020 was as follows:

	May 31, 2021	May 31, 2020
	$	$
Management fees	4,500	-
Share-based compensation	30,824	-
	35,324	**-**

As at May 31, 2021, accounts payable includes $4,725 due to a company controlled by the CFO of the Company.

During year ended May 31, 2020, certain key management and directors of the Company subscribed to a private placement consisting of 700,000 common shares priced at $0.02 for gross proceeds of $14,000 (see Note 8).

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS (Continued)

During year ended May 31, 2020, certain key management and directors of the Company subscribed to a private placement consisting of 300,000 common shares priced at $0.05 for gross proceeds of $15,000 (see Note 8).

11. INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory tax rates to the amounts recognized in the statement of operations and comprehensive loss for the years ended May 31, 2021 and 2020:

	2021	2020
Statutory tax rate	27%	27%
	$	$
Loss for the year before income taxes	(232,274)	(52,715)
Expected income tax recovery	62,714	14,233
Non-deductible items and other differences	(20,925)	-
Change in deferred tax assets not recognized	(83,639)	(14,233)
Income tax expense (recovery)	-	-

The unrecognized deductible temporary differences are as follows:

	2021	2020
	$	$
Non-capital loses carried forward	66,276	6,272
Share issuance costs	23,427	-
Exploration and evaluation assets	8,196	7,988
Total deferred income tax assets	97,899	14,260
Unrecognized deferred income tax assets	(97,899)	(14,260)
Net deferred income tax assets	-	-

The Company has non-capital loss carry forwards of approximately $245,000 which may be carried forward to apply against future income for Canadian tax purposes, subject to the final determination by taxation authorities, expiring between 2039 and 2041.

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities

Information regarding the Company's financial assets and liabilities as at May 31, 2021 and 2020 is summarized as follows:

	2021	2020
	$	$
Financial Assets		
FVTPL		
Cash	376,756	68,048
Financial Liabilities		
At amortized cost		
Trade payables	13,136	15,248

Financial Instrument Risk Exposure

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short-term maturity of these instruments.

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

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

Cash is classified as Level 1. The carrying balance of trade payables approximate their fair value due to their short-term nature.

The Company's financial instruments expose it to a variety of financial risk: market risk (including price risk and interest rate risk), credit risk and liquidity risk. These risks arise from the normal course of operations and all transactions are undertaken to support those operations. Risk management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates the financial risks in co-operation with the Company's operating units.

12. FINANCIAL INSTRUMENTS (continued)

Financial Instrument Risk Exposure (continued)

The Company's overall risk management program seeks to minimize potential effects on the Company's financial performance, in the context of its general capital management objectives (Note 13).

<u>Credit Risk</u>
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash. The Company manages credit risk on liquid financial assets through maintaining its cash with high quality financial institutions.

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 13.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities in the normal course of operations and to fund future operations and capital requirements through operating cash flows, as well as future equity and debt financing. As at May 31, 2021, the Company had a cash balance of $376,756 to settle current liabilities of $121,634. The Company's financial liabilities include trade payables which have contractual maturities of 30 days or are due on demand.

<u>Interest Rate Risk</u>
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 exposed to interest rate risk on its cash. The interest rate risk on cash is not considered significant due to its short term nature and maturity.

13. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds for the exploration and development of the CHG project. The Company's capital is comprised of the Company's shareholders' equity. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.