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**GRANADA GOLD MINE INC.  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2022 AND 2021  
(EXPRESSED IN CANADIAN DOLLARS)**

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*Audit. Tax. Advisory.*

## **Independent Auditor's Report**

To the Shareholders of Granada Gold Mine Inc.

### **Opinion**

We have audited the financial statements of Granada Gold Mine Inc. (the "Company"), which comprise the statements of financial position as at June 30, 2022 and 2021, and the statements of loss and comprehensive loss, statements of changes in equity (deficiency) and statements of cash flows for the years then ended, 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 June 30, 2022 and 2021 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. 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 in the financial statements, which indicates that the Company has accumulated operating losses and a working capital deficiency. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that 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 Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

## **Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 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 judgement 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 risks 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 of the audit resulting in this independent auditor's report is Jessica Glendinning.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
October 28, 2022

**GRANADA GOLD MINE INC.**  
**Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

As at,	Notes	June 30, 2022	June 30, 2021
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		132,159	193,104
Accounts receivable	5	1,093,071	1,391,298
Prepaid expenses		96,488	9,955
Marketable securities	6	342,831	1,637,378
<b>Total current assets</b>		<b>1,664,549</b>	<b>3,231,735</b>
Deposit, long-term	7	372,436	372,436
Property and equipment	9	179,340	196,365
<b>Total assets</b>		<b>2,216,325</b>	<b>3,800,536</b>
<b>SHAREHOLDERS' DEFICIENCY AND LIABILITIES</b>			
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade, other payables and provisions	11, 15, 17	8,234,957	7,240,808
Secured loans payable	10	1,182,329	1,769,551
<b>Total current liabilities</b>		<b>9,417,286</b>	<b>9,010,359</b>
Provision for site reclamation and restoration	16	394,501	391,449
<b>Total liabilities</b>		<b>9,811,787</b>	<b>9,401,808</b>
<b>SHAREHOLDERS' DEFICIENCY</b>			
Share capital	12	71,988,834	70,357,818
Reserves	12	2,593,340	3,431,427
Deficit		(82,177,636)	(79,390,517)
<b>Total shareholders' deficiency</b>		<b>(7,595,462)</b>	<b>(5,601,272)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>2,216,325</b>	<b>3,800,536</b>

Nature of operations and going concern (note 1)  
Commitments and contingencies (notes 8, 10, 15 & 17)  
Subsequent events (note 21)

Approved by the Board:

"Frank Basa"  
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**Director**

"Matthew Halliday"  
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**Director**

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

**GRANADA GOLD MINE INC.**  
**Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

	Notes	Year Ended June 30,	
		2022	2021
<b>Expenses</b>			
<b>Exploration and evaluation</b>	8		
Assay and testing		\$ 54,804	\$ 15,302
Consulting fees		57,155	39,139
Core analysis		388,296	430,185
Depreciation		53,506	44,847
Drilling		314,417	3,014,936
Equipment		17,430	110,291
Facility expenses		74,057	93,167
Geology, geophysics and surveys		169,986	183,134
Mining tax credits		-	(942,462)
Personnel costs		13,344	42,001
Project management and engineering	15	580,371	1,172,576
Reclamation and restoration costs		3,052	11,370
Security		300	300
Taxes, permits and licensing		41,621	22,265
<b>Total exploration and evaluation expenses</b>		<b>1,768,339</b>	<b>4,237,051</b>
<b>Corporate</b>			
Accretion		-	14,161
Administrative and general expenses		68,054	80,461
Financing fees	10	127,778	135,616
Professional fees		1,088,237	766,186
Filing costs and shareholders' information		158,868	319,526
Travel		793	527
<b>Total corporate expenses</b>		<b>1,443,730</b>	<b>1,316,477</b>
<b>Other (income) expenses</b>			
Equipment rental	15	(116,000)	(133,252)
Interest and other income		(1,664)	(3,058)
Income tax reassessed		(12,949)	-
Premium on flow-through shares		(569,399)	(200,297)
Stock-based compensation	12.3	-	158,095
Realized gain on sale of marketable securities	6	-	(53,923)
Part XII.6 penalty and interest	11,17	40,553	40,924
Flow-through indemnification action provision	17	234,206	240,629
Unrealized loss on marketable securities	6	1,294,547	870,690
Gain on sale of equipment	9	(300)	(52,493)
Income on sale of mineral lease	6	-	(2,793,413)
<b>Total other (income) expenses</b>		<b>868,994</b>	<b>(1,926,098)</b>
<b>Net loss and comprehensive loss for the year</b>		<b>\$ (4,081,063)</b>	<b>\$ (3,627,430)</b>
<b>Net loss per share</b>			
- basic and diluted	13	\$ (0.030)	\$ (0.034)
<b>Weighted average number of common shares outstanding - basic and diluted</b>	13	<b>136,316,428</b>	<b>107,486,199</b>

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

**GRANADA GOLD MINE INC.**  
**Statements of Changes in Equity (Deficiency)**  
**For the years ended June 30, 2022 and 2021**  
**(Expressed in Canadian Dollars)**

	Number of shares	Share capital	Reserves	Deficit	Total
<b>Balance, June 30, 2020</b>		\$	\$	\$	\$
Private placements	94,561,820	65,499,431	3,240,654	(76,006,593)	(7,266,508)
Options granted and vested	20,248,506	3,235,173	663,955	-	3,899,128
Share issue costs	-	-	158,095	-	158,095
Warrant exercise	-	(298,424)	87,757	-	(210,667)
Option exercise	7,292,500	1,386,860	-	-	1,386,860
Exercise of warrants – book value	475,000	59,250	-	-	59,250
Exercise of options – book value	-	413,241	(413,241)	-	-
Warrants expired	-	53,612	(53,612)	-	-
Options expired	-	8,675	(8,675)	-	-
Options expired	-	-	(243,506)	243,506	-
Net loss for the year	-	-	-	(3,627,430)	(3,627,430)
<b>Balance, June 30, 2021</b>	<b>122,577,826</b>	<b>70,357,818</b>	<b>3,431,427</b>	<b>(79,390,517)</b>	<b>(5,601,272)</b>
Private placements	27,865,002	1,764,992	481,711	-	2,246,703
Share issue costs	-	(211,289)	39,459	-	(171,830)
Option exercise	100,000	12,000	-	-	12,000
Exercise of options – book value	-	10,456	(10,456)	-	-
Options expired	-	-	(1,293,944)	1,293,944	-
Warrants expired	-	54,857	(54,857)	-	-
Net loss for the year	-	-	-	(4,081,063)	(4,081,063)
<b>Balance, June 30, 2022</b>	<b>150,542,828</b>	<b>71,988,834</b>	<b>2,593,340</b>	<b>(82,177,636)</b>	<b>(7,595,462)</b>

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

**GRANADA GOLD MINE INC.**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	Notes	Year Ended June 30,	
		2022	2021
<b>Operating activities</b>			
Loss before tax		\$ (4,081,063)	\$ (3,627,430)
<i>Adjustments for:</i>			
Depreciation	9	53,506	44,847
Accretion		-	14,161
Stock-based compensation	12.3	-	158,095
Interest on secured loans payable	10	127,778	135,616
Premium on flow-through shares		(569,399)	(200,297)
Part XII.6 penalties and interest		40,553	40,924
Flow-through indemnification provision		234,206	240,629
Settlement of flow-through liability		-	(47,510)
Unrealized loss on marketable securities	6	1,294,547	870,690
Realized gain on sale of marketable securities	6	-	(53,923)
Reclamation and restoration costs		3,052	11,370
Gain on sale of equipment		(300)	(52,493)
Value of shares received from sale of mineral lease	6, 15	-	(2,793,413)
<i>Operating cash flows before movements in working capital</i>			
Accounts receivable		298,227	(977,729)
Prepaid expenses		(86,533)	(8,955)
Trade, other payables and provisions		862,247	943,579
		-	-
<b>Net cash used in operating activities</b>		<b>(1,823,179)</b>	<b>(5,301,839)</b>
<b>Investing activities</b>			
Sale of marketable securities		-	339,268
Sale of equipment		300	137,970
Increase in long-term deposits		-	(200,636)
Purchase of equipment	9	(36,481)	(184,144)
<b>Net cash (used in) provided by investing activities</b>		<b>(36,181)</b>	<b>92,458</b>
<b>Financing activities</b>			
Issuance of common shares and warrants	12.2	2,673,245	3,899,128
Share issue costs	12.2	(171,830)	(210,667)
Warrant and option exercise	12.2	12,000	1,446,110
Repayment of secured loans and interest	10	(715,000)	-
<b>Net cash provided by financing activities</b>		<b>1,798,415</b>	<b>5,134,571</b>
Decrease in cash and cash equivalents		(60,945)	(74,810)
Cash and cash equivalents, beginning of year		193,104	267,914
<b>Cash and cash equivalents, end of year</b>		<b>\$ 132,159</b>	<b>\$ 193,104</b>
<b>Supplemental information</b>			
Marketable securities received from sale of mineral lease		\$ -	\$ 2,793,413
Broker's warrants issued as finder's fees		\$ 75,662	\$ 169,800

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



## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Granada Gold Mine Inc. (“Granada” or the “Company”) is domiciled in Canada and was incorporated on July 17, 1985 under the Company Act of British Columbia. The Company is a publicly-traded-company with its shares listed on the TSX Venture Exchange (“TSXV”), the Frankfurt Stock Exchange, and the US over the counter (“OTC”) market. The principal business of the Company is the acquisition, exploration and development of mineral property interests. The Company’s head office is located at 3028 Quadra Court, Coquitlam, British Columbia, V3B 5X6.

### **Going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company had cash and cash equivalents of \$132,159 at June 30, 2022 (June 30, 2021: \$193,104), but management cannot provide assurance that the Company will ultimately achieve profitable operations, or raise additional debt and/or equity capital.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral deposits that are economically recoverable. The Company will periodically have to obtain additional funds to continue its exploration activities, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continuing existence is dependent upon the discovery of economically recoverable reserves and resources, the preservation of its interest in the underlying properties, the ability of the Company to obtain necessary financing to complete exploration, development and construction of processing facilities, obtaining certain government approvals and the achievement of profitable operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s property interests may also be subject to increases in taxes and royalties, and renegotiation of contracts.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed inappropriate. Such adjustments could be material.

As at June 30, 2022, the Company had not yet achieved profitable operations, has an accumulated deficit, has a working capital deficiency and expects to incur further losses in the development of its business.

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing accumulated operating losses and a significant working capital deficiency, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. These conditions indicate the existence of material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

**1. NATURE OF OPERATIONS (continued)**

**Novel Coronavirus (“COVID-19”)**

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

**2. BASIS OF PREPARATION**

**Basis of Presentation**

These financial statements have been prepared on the historic cost basis, except certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may ultimately differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 4.

**Statement of compliance**

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies applied in these financial statements are presented in Note 3 and are based on IFRS applicable standards as at June 30, 2022.

**Functional and Presentation Currency**

These financial statements are presented in Canadian dollars, which is also the functional currency of the Company.

For the purpose of the financial statements, the results and financial position are expressed in Canadian dollars. Transactions in currencies other than the functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are presented in the statement of loss. The Company does not have any foreign operations.

**Approval of the financial statements**

These financial statements were reviewed, approved and authorized for issue by the Board of Directors on October 28, 2022.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and bank balances with original maturities of three months or less from the date of acquisition or are available upon demand. The Company did not have any cash equivalents as at June 30, 2022 and June 30, 2021.

#### **Financial Instruments Financial assets**

##### *Initial recognition and measurement*

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either fair value through profit or loss (“FVPL”) or fair value through other comprehensive income (“FVOCI”), and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Cash and receivables held for collection of contractual cash flows are measured at amortized cost.

##### *Subsequent measurement – financial assets at amortized cost*

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of loss and comprehensive loss.

##### *Subsequent measurement – financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in profit or loss. The Company measured its marketable securities at FVPL.

##### *Subsequent measurement – financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of comprehensive loss when the right to receive payments is established.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial Instruments Financial assets (continued)**

##### *Impairment of financial assets*

The Company's only financial assets subject to impairment are amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

#### **Financial liabilities**

##### *Initial recognition and measurement*

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include Trade and other payables and Secured loans payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value.

##### *Subsequent measurement – financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

##### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in profit or loss.

##### *Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its on financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

##### *Fair value of financial instruments*

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the inputs used in the measurement.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial liabilities (continued)**

##### *Fair value of financial instruments (continued)*

Level 2: This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

Level 3: This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

#### **Property, Plant and Equipment**

##### *Recognition and measurement*

Property, plant and equipment are carried at cost, less accumulated amortization and accumulated impairment losses.

On initial recognition, property, plant, and equipment are valued at cost, being the purchase price and directly attributable cost required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Amortization is recognized in profit or loss on a declining balance basis at the following annual rates:

Equipment	20%
Vehicles	30%

An asset's amortization methods, useful lives and residual values are reviewed on an annual basis and adjusted, if appropriate.

#### **Exploration and Evaluation Expenditures**

Exploration and Evaluation ("E&E") expenditures relate to costs incurred on the exploration for and evaluation of potential mineral reserves and include costs related to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling and evaluating the technical feasibility and commercial viability of extracting a mineral resource.

E&E expenditures, including costs of acquiring licenses, are expensed as exploration and evaluation expenses. The Company considers a project to be an individual geological area whereby the presence of a mineral deposit is considered favourable or has been proven to exist and, in most cases, comprises of a single mine or deposit.

Once the technical feasibility and commercial viability of the extraction of mineral reserves in a project are demonstrable and permitted, additional E&E expenditures will be charged to mining properties. Currently, the Company does not hold any assets classified as mining properties.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be reliably estimated, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost and is based on the discount rates that reflect current market assessments and the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

#### **Income Taxes**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable in respect of previous years.

Deferred tax is determined by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly-controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date.

#### **Share Capital**

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

The Company has financed a portion of its exploration and evaluation activities through the issue of flow-through shares. Under the terms of these share issues, the tax attributes of the related expenditures are renounced to subscribers. Common shares issued on a flow-through basis typically include a premium because of the tax benefits associated therewith ("Flow-through Premium"). Flow-through shares may also be issued with a warrant feature.

At the time of issue, the Company estimates the proportion of proceeds attributable to the flow-through Premium, the common share and the warrant with reference to closing market prices and such techniques as the Black-Scholes option-pricing model. The Flow-through Premium is estimated as the excess of the subscription price over the market value of the share and is recorded as a deferred liability on the statement of financial position. When the expenditures are renounced, the deferred liability is reversed, and this amount is recognized in profit or loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Share Capital (continued)**

The proceeds attributable to the warrants are also treated as equity and recorded in reserves on the statements of financial position until exercise, when the associated proportion is transferred to share capital along with the cash proceeds received on exercise. The value attributed to expired warrants is transferred to share capital.

Stock-based payment arrangements in which the Company receives properties, goods or services as consideration for its own equity instruments are measured at the fair value of the properties, goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

#### **Share Issuance Costs**

Share issuance costs are applied to reduce the proceeds of share capital issued in the year they are incurred.

#### **Stock-Based Compensation**

The Company uses the fair value method of valuing its equity settled stock-based compensation plans. Under this method, compensation cost attributable to stock-based plans are measured at their fair value on the grant date and expensed in profit or loss over the vesting period with a corresponding credit to reserves. The fair value of stock-based compensation is determined using the Black-Scholes option pricing model. When options are exercised, the associated proportion is transferred to share capital along with the cash proceeds received on exercise. The value attributed to expired options is transferred to deficit.

Equity settled stock-based compensation with non-employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Company obtains the goods or the counterparty renders the services.

#### **Valuation of Equity Units in Private Placements**

The Company uses the fair value method to value any warrants and broker warrants issued in private placements. The fair value assigned to share purchase warrants is recorded as a reduction to share capital and an increase to reserves. The fair value assigned to broker warrants is recorded as share issue costs and an increase to reserves. The fair value of each warrant is estimated on the date of the grant using the Black-Scholes warrant-pricing model. Warrant pricing models require the input of highly subjective assumptions, including the expected price volatility and changes in these assumptions can materially affect the fair value estimate. When warrants are exercised, the associated proportion is transferred to share capital along with the cash proceeds received on exercise. The value attributed to expired warrants is transferred to share capital.

#### **Loss per Share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year.

Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effect of all dilutive warrants and options outstanding that may add to the total number of common shares.

During the years ended June 30, 2022 and 2021, all outstanding options, warrants, and convertible loan conversion features are anti-dilutive. As a result, all options, warrants, and convertible loans are excluded from the calculation of diluted loss per share.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Decommissioning Liabilities**

The Company recognizes a decommissioning liability when a legal or constructive obligation exists to dismantle, remove or restore its assets, including any obligation to rehabilitate environmental damage on its mineral properties. Decommissioning liabilities are recognized as incurred. Decommissioning liabilities are discounted using a rate reflecting risks specific to the liability, and the unwinding of the discount is included in accretion of decommissioning liability in the statement of loss. At the time of establishing the liability, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The liabilities are reviewed on a regular basis for changes in cost estimates, discount rates and operating lives.

In accordance with the Company's environmental policy and applicable legal requirements, a provision for site restoration or decommissioning in respect of land restoration, and the related expense, is recognized when there is a legal obligation to restore the site.

#### **Equipment Rental Revenue**

The Company earns revenue from renting certain equipment. The rental arrangements do not transfer substantially all of the risk and rewards incidental to the ownership of the equipment and as such, are determined to be operating leases. Revenue from operating leases is recognized on a straight-line basis over the term of the lease agreement.

#### **Government Grants**

The Company is eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred in the province of Quebec. The refundable tax credit is recorded as a government grant under IAS 20, Accounting for Government Grants and Disclosure of Government Assistance. Credits related to resources are recognized in the statement of loss at their estimated fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits.

#### **Recent Accounting Pronouncements**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after July 1, 2022. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Recent Accounting Pronouncements (continued)**

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

### **4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions based on currently available information that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Estimates and judgments 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 results could differ from those estimates. By their very nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of future periods could be material.

In the process of applying the Company’s accounting policies, management has made the following judgments, estimates, and assumptions which have the most significant effect on the amounts recognized in the financial statements:

#### *Income taxes*

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

#### *Decommissioning and restoration costs*

Decommissioning and restoration costs will be incurred by the Company at the end of the operating life of certain of the Company’s assets. The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal and regulatory requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates. As a result, there could be significant adjustments to the provisions established which would affect future financial results. In the Company’s judgment, the most appropriate discount rate to use is one that reflects current market assessments and the risks specific to the liability.

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**4. SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Stock-based compensation*

The Company uses the fair value method of valuing compensation expense associated with the Company's stock option plan. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, expected forfeitures and distribution yield. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

*Valuation of the refundable mining duties credit and the refundable tax credit for resources*

The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessment has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources, the exploration and evaluation expenses, and the income tax expense in future periods.

*Fair value of marketable securities not quoted in an active market*

The fair values of the Company's investments in warrants cannot be derived from active markets. Therefore, the value of such instruments is estimated using a variety of valuation techniques. This requires determining the most appropriate valuation model as well as the most appropriate inputs to the valuation model including the expected life of the instrument, volatility and distribution yield. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. Refer to Note 6.

*Commitments and contingencies*

Refer to Note 17.

**5. ACCOUNTS RECEIVABLE**

	June 30, 2022	June 30, 2021
	\$	\$
Rental revenue receivable	109,371	26,781
Taxes receivable	983,700	1,364,517
	<b>1,093,071</b>	1,391,298

The above amounts receivable are net of expected credit losses of \$Nil (June 30, 2021 - \$Nil).

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**6. MARKETABLE SECURITIES**

The Company's marketable securities are as follows:

	As at June 30, 2022		As at June 30, 2021	
	Cost	Fair Value	Cost	Fair Value
Canada Silver Cobalt Works Inc.	\$	\$	\$	\$
2,381,500 common shares	1,214,565	285,780	1,214,565	940,693
2,941,000 share purchase warrants	1,293,503	57,051	1,293,503	696,685
<b>Total marketable securities</b>		<b>342,831</b>		<b>1,637,378</b>

On July 10, 2020, the Company sold a 50% interest in certain mineral leases to Canada Silver Cobalt Works Inc. ("CCW"), a related party with which there are four common directors and three common officers, for total consideration of \$1,499,910 payable through the issuance of 2,941,000 units of CCW to the Company. Each unit is comprised of one common share of CCW and one share price warrant to acquire one common share of CCW at a price of \$0.55 for a period of 5 years.

On initial recognition the 2,941,000 warrants received were recorded at an estimated value of \$1,293,503 based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.55, an average exercise price of \$0.55, risk free interest rate of 0.38%, expected life of warrants of 5 years, expected volatility rate of 114% (based on CCW's historical volatility for 5 years up to the issuance date) and expected dividend rate of 0%.

The warrants were revalued on June 30, 2021 at an estimated value of \$696,685 based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.40, an average exercise price of \$0.55, risk free interest rate of 0.97%, expected life of warrants of 4 years, expected volatility rate of 114% (based on the CCW's historical volatility for 4 years up to the valuation date) and expected dividend rate of 0%. The difference in value of \$596,818 was recorded as an unrealized loss on marketable securities during the year ended June 30, 2021.

During the year ended June 30, 2021, the Company sold a total of 559,500 shares of CCW for total proceeds of \$339,268, resulting in a gain of \$53,923.

The warrants were revalued on June 30, 2022 at an estimated value of \$57,051 based on the Black Scholes option pricing model, using the following assumptions: share price of \$0.12, an average exercise price of \$0.55, risk free interest rate of 0.38%, expected life of warrants of 3.01 years, expected volatility rate of 77.53% (based on the CCW's historical volatility for 3.14 years up to the valuation date) and expected dividend rate of 0%.

**7. DEPOSIT, LONG-TERM**

As at June 30, 2022, the Company has a non-interest-bearing cash deposit of \$372,436 (June 30, 2021: \$372,436) with the Quebec government as a guarantee for the restoration of the Granada mine site.

**8. EXPLORATION AND EVALUATION**

The Company has determined that as at June 30, 2022, the following projects have not met the technical feasibility and commercial viability criteria to be capitalized and classified as mining properties. Accordingly, the Company has expensed all exploration and evaluation expenditures in the period. As of June 30, 2022, and June 30, 2021, the Company did not hold any assets classified as mining properties.

**Granada Property, Quebec, Canada**

The Company holds a 100% interest to certain mining leases and claims. The mining leases are subject to a 2% Gross Metal Royalty ("GMR"), 1/2 of which may be purchased for \$1,000,000 and a 1% Net smelter royalty ("NSR") and 23 of the original mining claims are subject to a 1% NSR. Additionally, there is a 2% NSR on 4 properties optioned from the D2D3 Group ("D2D3") in 2010, half of which may be purchased for \$1,000,000.

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**9. PROPERTY AND EQUIPMENT**

	<b>Equipment</b>	<b>Truck</b>	<b>Total</b>
	\$	\$	\$
<b>COST</b>			
As at June 30, 2020	112,472	75,098	<b>187,570</b>
Additions	112,186	71,958	<b>184,144</b>
Disposal	(112,472)	-	<b>(112,472)</b>
<b>As at June 30, 2021</b>	<b>112,186</b>	<b>147,056</b>	<b>259,242</b>
Additions	36,481	-	<b>36,481</b>
<b>As at June 30, 2022</b>	<b>148,667</b>	<b>147,056</b>	<b>295,723</b>
	<b>Equipment</b>	<b>Truck</b>	<b>Total</b>
	\$	\$	\$
<b>ACCUMULATED AMORTIZATION</b>			
As at June 30, 2020	22,495	22,529	<b>45,024</b>
Additions	17,045	27,802	<b>44,847</b>
Disposal	(26,994)	-	<b>(26,994)</b>
<b>As at June 30, 2021</b>	<b>12,546</b>	<b>50,331</b>	<b>62,877</b>
Additions	24,488	29,018	<b>53,506</b>
<b>As at June 30, 2022</b>	<b>37,034</b>	<b>79,349</b>	<b>116,383</b>
<b>NET BOOK VALUE</b>			
As at June 30, 2020	89,977	52,569	142,546
As at June 30, 2021	99,640	96,725	196,365
<b>As at June 30, 2022</b>	<b>111,633</b>	<b>67,707</b>	<b>179,340</b>

During the year ended June 30, 2022, the Company disposed of a previously written off vehicle for \$300. During the year ended June 30, 2021, the Company disposed of certain equipment and recognized a gain of \$52,493.

**10. SECURED LOANS PAYABLE**

On August 4, 2015, the Company entered into two loan agreements and a Supply and Services agreement for proceeds totaling \$800,000.

The first loan agreement is with an existing shareholder and is a demand loan for proceeds of \$200,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually.

The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

The second loan is from a company owned by a director of the Company and comprises a \$100,000 demand loan also over a three-year term at an interest rate of 8% calculated monthly and payable annually. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

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**10. SECURED LOANS PAYABLE (continued)**

The third agreement is a Supply and Services non-interest bearing loan for \$500,000 over the 12 months following the execution of the loan agreement from a company owned by a director of the Company. The lender has the option to obtain loan principal repayments including interest as applicable, in gold valued at US \$800 per ounce if the Company reaches commercial production. The Supply and Services loan is to be used for specific projects on the property. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender.

On November 11, 2015 and January 8, 2016, the Company entered into a second and third loan agreement with an existing shareholder for a demand loan for proceeds of \$200,000 over a three- year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce. The lender also has the option to participate in future financings but is not obliged to do so. On February 28, 2022, the Company repaid the outstanding balance on these loans including interest totaling \$539,338.

On November 22, 2017, the Company entered into convertible loan agreements with existing shareholders for demand loans for proceeds of \$250,000 over a three-year term at an interest rate of 8% calculated monthly and payable annually. The loan will automatically renew for an additional three-year term until such time as the lender agrees to terminate the agreement. The lender also has the option to obtain interest and principal loan repayments in gold rather than cash should the Company reach commercial production while the loan remains in place. In that event, the gold is to be valued at US \$800 per ounce. The outstanding loan balance is subject to repayment in full at any time at the sole discretion of the lender. The outstanding principal amount of the loan is convertible into common shares of the Company at the option of the lender at any time at a conversion price of \$0.05 per share for the first year and then \$0.10 per share starting in the second year and until maturity. The conversion feature has been classified as an equity instrument with an estimated value of \$74,856 and has been included in equity reserves on the statement of financial position. The liability portion of the convertible debentures was estimated to be \$175,144 and was accreted to its face value over the 3 year term of the loan using an effective interest rate of 20%. The initial loan term expired on November 22, 2020 with a total of \$317,559 owing including accrued interest, and this amount was automatically renewed for another 3-year term, with the same loan features and terms. On February 28, 2022, the Company partially repaid the outstanding balance on these loans including interest totaling \$175,662. The outstanding balance of the loan at June 30, 2022, including accrued interest, was \$176,873.

The Granada Gold property is registered as security against these loans. As a triggering event has not taken place, no value has been attributed to the derivative relating to the right of the lenders to demand repayment in gold valued at US \$800 per ounce.

Loan activity for the years ended June 30, 2022 and 2021 is as follows:

	June 30, 2022	June 30, 2021
Opening balance	\$ 1,769,551	\$ 1,619,774
Interest accrual	127,778	135,616
Accretion	-	14,161
Repayment	(715,000)	-
	<b>1,182,329</b>	<b>1,769,551</b>

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**11. TRADE, OTHER PAYABLES AND PROVISIONS**

	June 30, 2022	June 30, 2021
	\$	\$
Trade payable	369,843	862,609
Due to related parties (note 15)	2,395,764	1,007,002
Flow-through share liability	-	142,857
Part XII.6 taxes and interest (i)	947,519	906,966
Flow-through indemnification provision (ii)	4,521,831	4,321,374
	<b>8,234,957</b>	<b>7,240,808</b>

- (i) The Company has estimated potential Part XII.6 taxes in relation to unspent flow-through expenditures for fiscal years 2011 to 2017. During the year ended June 30, 2022, the Company had accrued an additional \$40,553 (June 30, 2021 - \$40,924) for Part XII.6 taxes, interest and penalties on the shortfall. See Note 17.
- (ii) The Company has estimated potential indemnity in relation to unspent flow-through expenditures for fiscal years 2011 to 2017. During the year ended June 30, 2022, the Company accrued an additional \$234,206 (June 30, 2021 - \$240,629) for indemnification and interest on the shortfall, and made settlements against the liability of \$33,749 (June 30, 2021 - \$47,510). See Note 17.

**12. SHARE CAPITAL**

**12.1 Authorized share capital**

The Company has an authorized share capital of an unlimited number of shares with no par value.

As at June 30, 2022, the Company had 150,542,828 common shares issued and outstanding (June 30, 2021: 122,577,826).

**12.2 Share issuance**

**Private placements**

On July 21, 2020, the Company closed a flow-through private placement financing raising gross proceeds of \$800,000. A total of 3,200,000 flow-through units were issued with each unit consisting of one common share in the capital of the Company. Finder's fees were paid in connection with the private placement in the amount of \$56,000 cash and 224,000 finder warrants exercisable at \$0.25 per share for two years from closing.

On August 27 and September 4, 2020, the Company closed a private placement in which it issued an aggregate of 3,956,521 units at a price of \$0.23 per unit. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of three years from closing at an exercise price of \$0.28 per share. Finder's fees were paid in connection with the private placement in the amount of \$9,668 cash and 42,035 finder warrants on the same terms as the private placement warrants. An officer of the Company participated in the private placement by acquiring 56,021 units for \$12,885.

On December 22, 2020, the Company closed a flow-through private placement financing raising gross proceeds of \$534,983. A total of 2,377,700 flow-through units were issued with each unit consisting of one common share in the capital of the Company. Finder's fees were paid in connection with the private placement in the amount of \$26,699 cash and 118,662 finder warrants exercisable at \$0.225 per share for two years from closing. A corporation controlled by a director and officer of the Company participated in this private placement by acquiring 400,000 shares for \$90,000.

## **12. SHARE CAPITAL (continued)**

### **12.2 Share issuance (continued)**

#### **Private placements (continued)**

On February 23, 2021, the Company closed a private placement in which it issued an aggregate of 5,000,000 units at a price of \$0.20 per unit. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of three years from closing at an exercise price of \$0.22 per share.

CCW, a related party in which there are four common directors and three common officers, participated in this private placement for all 5,000,000 of the units for \$1,000,000.

On June 9, 2021, the Company closed a flow-through private placement financing in which it issued an aggregate of 5,714,285 shares at a price of \$0.175 per flow-through share. Finder's fees were paid in connection with the private placement in the amount of \$70,000 cash and 400,000 finder warrants exercisable at \$0.175 per share for two years from closing.

On September 27, 2021, the Company closed a non-brokered private placement by way of issuing 7,857,143 Quebec flow-through units at a price of \$0.14 per Quebec flow-through unit raising gross proceeds of \$1,100,000. The Company also issued 2,500,000 units at a price of \$0.10 per unit raising proceeds of \$250,000. Each Quebec flow-through unit is comprised of one Quebec flow-through common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.20 per share, for a period of two years from closing. Each unit is comprised of one common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15 per share for a period of 3 years from closing.

The Company paid finder fees in the amount of \$94,500 and issued 1,275,000 finder warrants in connection with the private placement. The finder warrants are on the same terms as the QFT warrants.

On December 21, 2021, the Company closed a non-brokered private placement by way of issuing 5,454,546 flow-through units at a price of \$0.11 per flow-through unit raising gross proceeds of \$600,000. Each flow-through unit is comprised of one flow-through common share of the Company and one half of one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.15 per share, for a period of two years from closing.

The Company paid finder fees in the amount of \$48,000 and issued 436,362 finder warrants in connection with the private placement. The finder warrants are on the same terms as the flow-through warrants.

On April 1, 2022 the Company announced that it has closed a non-brokered private placement by way of issuing 12,053,333 units at a price of \$0.06 per unit raising gross proceeds of \$723,200. Each Unit is comprised of one common share of the Company and one share purchase warrant. Each whole warrant will entitle the holder thereof to purchase one additional common share of the Company at an exercise price of \$0.08 per share, for a period of three years from closing.

The Company paid finder fees in the amount of \$29,330 and issued 488,833 finder warrants in connection with the private placement. The finder warrants are on the same terms as the purchaser warrants.

#### **Exercise of Options**

During the year ended June 30, 2022, the Company issued 100,000 (2021 - 475,000) common shares related to the exercise of 100,000 stock options at an exercise price of \$0.12 per share (2021 - between \$0.12 and 0.15 per share).

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**12. SHARE CAPITAL (continued)**

**12.2 Share issuance (continued)**

**Exercise of Warrants**

During the year ended June 30, 2022, the Company issued no common shares related to the exercise of warrants.

During the year ended June 30, 2021, 7,292,500 warrants were exercised at exercises prices between \$0.12 and \$0.22 per share.

**Flow-through Premium**

During the year ended June 30, 2022, the Company recognized flow-through premiums totaling \$569,399 (June 30, 2021 - \$345,854) and recorded a recovery of flow-through premiums in the statements of loss totaling \$569,399 (June 30, 2021 - \$200,297).

**12.3 STOCK OPTIONS**

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Share options are granted for a term not to exceed ten years from the date of grant. All options are subject to a four month holding period from the date of grant if granted at the price lower than the market price; options granted at market prices are not subject to the hold period. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company which may be reserved for the issuance shall be 10% of the issued and outstanding shares at the time of the option grant.

The following is a summary of the changes in the Company's stock option activities for the years ended June 30, 2022 and 2021:

	June 30, 2022		June 30, 2021	
	Number of stock options	Weighted average exercise price (\$)	Number of stock options	Weighted average exercise price (\$)
<b>Outstanding, beginning of year</b>	<b>7,508,625</b>	<b>0.215</b>	7,702,375	0.280
Granted	-	-	1,000,000	0.165
Exercised	(100,000)	<b>0.120</b>	(475,000)	0.131
Expired or cancelled	(3,683,625)	<b>0.232</b>	(718,750)	0.295
<b>Outstanding, end of year</b>	<b>3,725,000</b>	<b>0.200</b>	7,508,625	0.215
<b>Exercisable, end of year</b>	<b>3,725,000</b>	<b>0.200</b>	7,508,625	0.215



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**12. SHARE CAPITAL (continued)**

**12.3 Stock Options (continued)**

The following table summarizes information regarding stock options outstanding and exercisable as at June 30, 2022:

<b>Exercise Price (\$)</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested (Exercisable)</b>	<b>Weighted-average remaining contractual life (years)</b>	<b>Weighted-average exercise price (\$)</b>
\$0.100-\$0.175	2,025,000	2,025,000	2.66	0.129
\$0.200-\$0.400	1,700,000	1,700,000	1.26	0.285
<b>Total</b>	<b>3,725,000</b>	<b>3,725,000</b>	<b>1.80</b>	

There were no options granted during the year ended June 30, 2022. The weighted average fair value of the options granted during the year ended June 30, 2021 was estimated at \$0.158 per option at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	<b>June 30, 2022</b>	June 30, 2021
Risk free interest rate	-	0.52 %
Expected life	-	5 years
Expected volatility	-	106 %
Expected dividend per share	-	-
Share price	-	\$ 0.20
Exercise price	-	\$ 0.17

**12.4 WARRANTS**

**Share Purchase Warrants**

The following is a summary of the changes in the Company's share purchase warrant activities for the years ended June 30, 2022 and 2021:

	<b>June 30, 2022</b>		<b>June 30, 2021</b>	
	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>	<b>Number of warrants</b>	<b>Weighted average exercise price (\$)</b>
<b>Outstanding, beginning of year</b>	<b>33,642,140</b>	<b>0.164</b>	31,183,422	0.150
Granted	22,159,373	0.121	9,951,218	0.244
Exercised	-	-	(7,292,500)	0.190
Expired or cancelled	(2,157,150)	0.150	(200,000)	0.190
<b>Outstanding, end of year</b>	<b>53,644,363</b>	<b>0.148</b>	33,642,140	0.164

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**12. SHARE CAPITAL (continued)**

**12.4 WARRANTS (continued)**

The following table summarizes information regarding share purchase warrant outstanding as at June 30, 2022:

<b>Exercise price (\$)</b>	<b>Number of warrants Outstanding</b>	<b>Weighted-average remaining contractual life (years)</b>	<b>Weighted-average exercise price (\$)</b>
0.080	12,542,166	2.76	0.080
0.120	10,191,166	2.87	0.120
0.150	13,894,435	0.70	0.150
0.175	400,000	0.94	0.175
0.180	6,861,806	1.33	0.180
0.200	5,203,572	1.24	0.200
0.225	118,662	0.48	0.225
0.250	224,000	0.06	0.250
0.280	4,208,556	1.16	0.280
<b>Total</b>	<b>53,644,363</b>	<b>1.76</b>	<b>0.148</b>

During the year ended June 30, 2022, in conjunction with the private placements, the Company issued a total of 22,159,373 share purchase warrants.

On March 30, 2022, the Company extended the expiry date of 10,191,166 warrants were due to expire on May 13, 2022, and have an exercise price of \$0.12. The expiry date was extended by three years and the Warrants will now expire on May 13, 2025. All other terms and conditions remain constant.

The weighted average fair value of the warrants granted during the year ended June 30, 2022, was estimated at \$0.038 per warrant (2021 - \$0.076) at the grant date using the Black-Scholes Pricing Model. The weighted average assumptions used for the calculation were:

	<b>June 30, 2022</b>	June 30, 2021
Risk free interest rate	<b>0.68 %</b>	0.31 %
Expected life	<b>2.13 years</b>	3.05 years
Expected volatility	<b>108 %</b>	110 %
Expected dividend per share	-	-
Share price	<b>\$ 0.09</b>	\$ 0.15
Exercise price	<b>\$ 0.18</b>	\$ 0.25

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**13. LOSS PER SHARE**

	Year Ended June 30,	
	2022	2021
Net loss for the year	\$ (4,081,063)	\$ (3,627,430)
Weighted average number of shares – basic and diluted	136,316,428	107,486,199
Loss per share, basic and diluted	(0.030)	(0.034)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and warrants were anti-dilutive for the periods ended June 30, 2022 and 2021.

**14. SUPPLEMENTAL CASH FLOW INFORMATION**

The Company incurred the following non-cash investing and financing transactions:

During the year ended June 30, 2022, the Company paid finder's fees on private placements by issuance of shares and share purchase warrants (Note 12).

**15. RELATED PARTY TRANSACTIONS**

The Company determined that key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors (executive and non-executive), President and Chief Executive Officer and Chief Financial Officer are key management personnel.

The remuneration to key management personnel during the years ended June 30, 2022 and 2021 is as follows:

	Year Ended June 30,	
	2022	2021
Key management compensation	\$ 656,177	\$ 525,100
Stock-based compensation	-	55,912
	656,177	581,012

a) The Company retains the services of a company owned by an officer and director of the Company to carry out exploration work on its resource properties and for management services. During the year ended June 30, 2022, the total amount for such services provided was \$440,001 (2021 – \$440,001) of which \$440,000 (2021 – \$440,000) was recorded in exploration expenses and \$1 (2021 - \$1) in professional fees. As at June 30, 2022, the Company has a balance of \$207,167 (June 30, 2021 - \$nil) outstanding to the company owned by the officer and director. These amounts are unsecured, non-interest bearing and due on demand.

b) As of June 30, 2022, the Company owed \$2,395,764 (June 30, 2021 - \$1,007,002) to CCW, a related party in which there are four common directors and three common officers. These amounts are unsecured, non-interest bearing and due on demand.

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**15. RELATED PARTY TRANSACTIONS (continued)**

c) During the period ended June 30, 2022, the Company recorded \$116,000 in equipment rental revenue (2021 - \$133,252) from CCW, \$62,911 (2021 - \$80,695) of which was recognized as amounts receivable on June 30, 2022. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

On February 23, 2021, the Company closed a private placement in which it issued an aggregate of 5,000,000 units at a price of \$0.20 per unit. Each unit consists of one common share in the capital of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one share of the Company for a period of three years from closing at an exercise price of \$0.22 per share. CCW, a related party in which there are four common directors and three common officers, participated in this private placement for all 5,000,000 of the units for \$1,000,000.

During the period ended June 30, 2021, CCW exercised 5,000,000 common share purchase warrants for \$1,100,000 at an exercise price of \$0.22 per common share.

Also see notes 6, 10, 12, and 17.

**16. RECLAMATION OBLIGATION**

The Company's provision for closure and reclamation costs is based on management's estimates of the costs to rehabilitate the area explored as well as an estimate of the future timing of the costs to be incurred.

The Company has assessed its total provision to be \$394,501 (June 30, 2021 - \$391,449) based on a total future liability of approximately \$384,421, a discount rate of 3.16% and an inflation rate of 5.4%. Reclamation is estimated to commence in 5 years (June 30, 2021 – 5 years).

	Year Ended June 30,	
	2022	2021
Opening Balance	\$ 391,449	\$ 380,079
Accretion	3,052	11,370
<b>Ending balance</b>	<b>394,501</b>	<b>391,449</b>

**17. COMMITMENTS AND CONTINGENCIES**

**Environmental obligations**

The Company's operations are subject to governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether with the outcomes, the impacts or the deadline. As at June 30, 2022, to the best knowledge of its management, the Company is, in conformity with the laws and regulations.

**Flow-through obligations**

The Company is partly financed by the issuance of flow-through shares. However, there are no guarantees that the funds spent by the Company will qualify as Canadian exploration expenditures, even if the Company has taken all the necessary measures for this purpose. Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

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**17. COMMITMENTS AND CONTINGENCIES (continued)**

**Flow-through obligations (continued)**

Moreover, tax rules regarding flow-through investments set deadlines for carrying out the exploration work no later than the first of the following dates:

- i) Two years following the flow-through investment;
- ii) One year after the Company has renounced the tax deductions relating to the exploration work.

During the year ended June 30, 2022, the Company received \$1,700,000 from flow-through share issuances. The Company believes the full amount will be spent on qualified exploration expenditures. As at June 30, 2022, the Company has \$1,050,000 remaining to be spent.

The Company has indemnified the subscribers of current and previous flow-through offerings against any tax related amounts that become payable by shareholders in the event the Company does not meet its expenditure commitment. See Note 11.

**Canada Revenue Agency audit**

The Canada Revenue Agency (“CRA”) is auditing certain of the Company’s corporate tax returns and flow-through filings from 2012 to 2017 and has assessed that the Company had flow-through shortfalls in certain of those years. Accordingly, the Company has recorded a provision for the estimated cost to indemnify flow-through share subscribers for their possible personal income tax reassessments.

In estimating the liability, the Company has assumed the following:

- The subscribers would be taxable at the highest marginal personal tax rate;
- That all non-corporate subscribers are eligible for the federal 15% investment tax credit; and
- That Quebec subscribers are eligible for the 150% or 120% additional CEE deduction.

The ultimate amount owing and the timing of any payments to investors are highly uncertain as they are dependent on each taxpayer’s individual tax situation as well as if, or when, they are reassessed by the CRA.

The Company has also accrued the estimated Part XII.6 tax and similar Quebec tax on the potential shortfalls.

The CRA has also assessed penalties of approximately \$2,200,000 which the Company has not accrued. The Company believes the assessment of these penalties is without merit and has filed Notices of Objection to dispute the assessment. The outcome of the Notices of Objection cannot be determined at this time and accordingly, no amounts have been accrued in these financial statements relating to the penalties.

A continuity of the provision for the shareholder indemnity for the years ended June 30, 2022 and 2021 is as follows:

	<b>June 30, 2022</b>	June 30, 2021
Opening balance	\$ 4,321,374	\$ 4,128,255
Accrual for additional provision and interest	234,206	256,870
Settlement against liability	(33,749)	(63,751)
<b>Ending balance</b>	<b>4,521,831</b>	<b>4,321,374</b>

## **17. COMMITMENTS AND CONTINGENCIES (continued)**

### **Service agreements**

The Company has consulting service agreements with related parties (certain officers and directors).

i) Effective January 1, 2007, and amended December 1, 2010, May 16, 2013 and March 1, 2015, the Company entered into a management agreement with Grupo Moje Limited (“Grupo”), a company owned by a director and officer of the Company to provide management services of Frank Basa in consideration for a nominal annual fee of \$1.

This agreement also requires that if the agreement is terminated by the Company upon or following a change in control or change of management the Company shall make a payment to Grupo equal to 480 ounces of gold with the dollar amounts to be calculated based on the price of gold on the date of termination of the agreement. As a triggering event has not taken place, the contingent payment has not been reflected in these financial statements.

ii) Effective January 1, 2014, the Company entered into a management agreement with Mineral Recovery Management Systems Corp. (“MRMSC”), a company controlled by Frank Basa and Elaine Basa, to provide project management, engineering and geological services to the Company in consideration of \$25,000 per month for the services of Frank Basa and \$11,666.67 per month for the services of Elaine Basa. Either party may terminate this agreement by giving a four months’ notice to the other, subject to certain provisions of the agreement.

### **Claims, lawsuits and other complaints**

The Company is subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable and the amounts are estimable. Although the outcome of such matters cannot be determined, it is the opinion of management that the final resolution of these matters will not have a material adverse effect on the Company’s financial condition, operations or liquidity. The outcome of these litigations cannot be reasonably determined, as a result, no amounts have been accrued as at June 30, 2022.

## **18. FINANCIAL RISK MANAGEMENT**

### **Overview**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk, including commodity price risk;
- foreign currency exchange risk;
- interest rate risk; and
- operational risk.

This note presents information about the Company’s exposure to each of the above risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. Further quantitative disclosures are included throughout these financial statements.

## **18. FINANCIAL RISK MANAGEMENT (continued)**

### **Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board fulfills its responsibility through the Audit Committee, which is responsible for overseeing the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management practices are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company has an established code of conduct which sets out the control environment within which framework all directors' and employees' roles and obligations are outlined.

The Company's risk and control framework is facilitated by the small-sized and hands-on executive team. There have been no changes in the risks, objectives, policies and procedures during the years ended June 30, 2022 and 2021.

Credit risk is the risk of an unexpected financial loss to the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and receivables.

#### **a) Cash and cash equivalents**

The Company's cash is held through large Canadian financial institutions. The Company has a corporate policy of investing its available cash in Canadian government instruments and certificates of deposit or other direct obligations of major Canadian banks, unless otherwise specifically approved by the Board. The Company does not own asset-backed commercial paper. Management believes the risk of loss to be minimal.

#### **b) Receivables**

When necessary, the Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures. Further, when the Company engages in corporate transactions, it seeks to manage its exposure by ensuring that appropriate recourse is included in such agreements upon the counterparty's failure to meet contractual obligations. Management believes that the credit risk with respect to financial instruments included in receivables is minimal.

### **Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking undue damage to the Company's reputation. The Company generates cash flow primarily from its financing activities.

The Company's objective is to maintain sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. This is accomplished by budgets and forecasts which are updated on a periodic basis to understand future cash needs and sources. Spending plans are adjusted accordingly when possible to provide for liquidity.

The Company manages its liquidity risk through the mechanisms described above and as part of Capital Disclosures below. The Company has historically relied on issuances of shares to develop projects and to finance day-to-day operations and may do so again in the future.

The Company has no significant long-term liabilities. All other contractually obligated cash flows are payable within the next fiscal year. Refer to Note 17 for details of the Company's flow-through commitments.

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**18. FINANCIAL RISK MANAGEMENT (continued)**

**Classification of Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, trade, marketable securities, other payables and provisions, and secured loans payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature and current market rates for similar financial instruments.

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2022 and 2021, the Company did not have any assets measured at fair value and that require classification within the fair value hierarchy, except for its marketable securities:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
June 30, 2022 - marketable securities	285,780	57,051	-	<b>342,831</b>
June 30, 2021 - marketable securities	940,693	696,685	-	<b>1,637,378</b>
<b>Total</b>	<b>1,226,473</b>	<b>753,736</b>	<b>-</b>	<b>1,980,209</b>

**Market Risk**

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

**a) Commodity price risk**

The Company is exposed to price risk with respect to fluctuation in gold and silver prices which impacts the future economic feasibility of its mining interests. Gold and silver prices are affected by numerous factors such as the sale or purchase of gold and silver by various institutions, interest rates, exchange rates, inflations in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold and silver producing countries throughout the world. As the Company is still in the exploration and evaluation stage, the fluctuation of gold and silver prices does not have a significant impact on the Company.

**b) Foreign currency exchange risk**

The Company is exposed to foreign currency exchange risk with respect to future gold and silver sales, since gold and silver sales are denominated in US dollars and the Company's functional and reporting currency is the Canadian dollar. The movement on US rates related to the Canadian dollar may impact the future economic feasibility of the Company's mining interests. As the Company is still in the exploration and evaluation stage, the fluctuation of the US dollar does not have a significant impact on the Company.



## **18. FINANCIAL RISK MANAGEMENT (continued)**

### **c) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balance is to invest excess cash in financial instruments guaranteed by and held with a Canadian chartered bank.

### **d) Price risk**

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategies.

### **Sensitivity Analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

- i) The Company receives low interest rates on its cash balances and carries debt with fixed interest rates. As such, the Company does not have significant interest rate risk.
- ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign currency risk.
- iii) The Company's receivables are composed primarily of refundable sales taxes owing from the government of Canada. As such, the Company does not have significant credit risk relating to its receivables.
- iv) The Company's marketable securities are comprised of common shares and warrants of CCW. A 10% change in the share price of the Company's marketable securities would result in a corresponding change to net loss in the amount of \$34,283 for the year ended June 30, 2022.

## **19. CAPITAL MANAGEMENT DISCLOSURES**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise and ability to raise financing of the Company's management to sustain future development of the business.

The Company considers its capital to be shareholders' equity, which is comprised of common shares, reserves and deficit, which as at June 30, 2022 totaled a shareholders' deficiency of \$7,595,462 (June 30, 2021 – \$5,601,272).

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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**19. CAPITAL MANAGEMENT DISCLOSURES (continued)**

The Company currently has no significant source of revenues, and therefore is dependent on external financing to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended June 30, 2022 and 2021.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of June 30, 2022, the Company may not be compliant with all of the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

**20. INCOME TAXES**

**Provision for income taxes**

Major items causing the Company's income tax rate to differ from the combined federal and provincial statutory income tax rate of 26.9% (2021 – 26.9%) were as follows:

	June 30, 2022	June 30, 2021
Loss before income taxes	\$ (4,081,063)	\$ (3,627,430)
	26.9 %	26.9 %
Expected income tax recovery based on statutory rate	<b>(1,098,000)</b>	(976,000)
Stock-based compensation	-	43,000
Flow-through renunciation	<b>302,000</b>	500,000
Non-deductible and other	<b>(150,000)</b>	25,000
Changes in benefit of tax assets not recognized	<b>946,000</b>	408,000
Deferred income tax provision (recovery)	\$ -	\$ -

**Deferred tax assets**

Deferred tax assets have not been recognized in respect of the following temporary differences as it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

	June 30, 2022	June 30, 2021
Non-capital losses carry forward	\$ 27,923,000	\$ 26,386,000
Exploration and evaluation	20,129,000	19,042,000
Share issue costs	376,000	273,000
Investment tax credits	917,000	917,000
Property and equipment	995,000	1,045,000
Marketable securities	2,165,000	871,000
Other temporary differences	4,950,000	4,760,000
Tax benefits not recognized	57,455,000	53,294,000

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**20. INCOME TAXES (continued)**

**Tax loss carry-forward**

As at June 30, 2022, the Company has non-capital losses of \$27,923,000 available to reduce taxable income in future years expiring as follows:

As at June 30, 2022, the Company had estimated non-capital losses for Canadian income tax purposes of approximately \$27,923,000 (2021 - \$26,386,000) available to use against future taxable income. The non-capital losses expire between 2028 and 2042.

2028	\$	171,000
2029		584,000
2030		1,329,000
2031		4,561,000
2032		2,450,000
2033		2,970,000
2034		2,888,000
2035		2,326,000
2036		2,080,000
2037		2,069,000
2038		1,306,000
2039		348,000
2040		1,492,000
2041		1,780,000
2042		1,569,000
		<u>\$ 27,923,000</u>

As at June 30, 2022, the Company had approximately \$2,707,000 (2021 – \$2,432,000), \$16,981,000 (2021 – \$16,346,000), \$264,000 (2021 – \$264,000) and \$177,000 (2021 – \$177,000) of Canadian development expenditures, Canadian exploration expenditures, foreign resource expenditures and depletion credit, respectively, which, under certain circumstances, may be utilized to reduce taxable income of future years.

**21. SUBSEQUENT EVENTS**

On September 16, 2022, the Company announced effective September 27, 2022, it will amend the terms of 9,053,800 share purchase warrants by reducing the exercise price from \$0.15 per share to \$0.075 per share and extending the term of the warrants by two years so that the warrants will expire on September 27, 2024. Further the warrants will include an accelerated expiry clause such that the exercise period of the warrants will be reduced to 30 days if, for any 10 consecutive trading days during the unexpired term of the warrants, the closing price of the Company's shares is \$0.095 or more. All other terms of the warrants remain the same.