



Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S dollars)



Independent Auditor's Report

To the Shareholders of Lovitt Resources Inc.

Opinion

We have audited the consolidated financial statements of Lovitt Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and June 30, 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2022 and June 30, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our 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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company recorded a net loss of \$ 256,575 and, as at June 30, 2022, the Company had an accumulated deficit of \$ 6,754,794 and a working capital deficit of \$ 1,961,309. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

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

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

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

Vancouver, B.C.
December 20, 2022

"D&H Group LLP"
Chartered Professional Accountants

Lovitt Resources Inc.

Consolidated Statements of Financial Position

As at June 30, 2022 and 2021

(Expressed in U.S. Dollars)

	Note	June 30, 2022 \$	June 30, 2021 \$
ASSETS			
Current			
Cash		4,237	78,479
Amounts receivable		1,457	4,973
Current portion of note receivable	3	-	9,833
Prepaid expenses		-	899
		5,694	94,184
Non-current			
Prepaid expenses		25,973	
Note receivable	3	46,593	34,109
Property, plant and equipment	4	232,655	179,169
Mineral properties	5	714,457	685,126
		1,019,678	898,404
TOTAL ASSETS		1,025,372	992,588
LIABILITIES			
Current			
Accounts payable and accrued liabilities	9, 11	24,711	26,422
Warrant derivative liability	7, 9	12,027	-
Accrued interest payable	9, 11	506,345	429,304
Demand loans	6, 9, 11	1,423,920	1,358,239
TOTAL LIABILITIES		1,967,003	1,813,965
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	7	4,936,213	4,670,856
Share subscriptions received (receivable)	7	(9,911)	113,885
Contributed surplus		935,727	935,727
Currency translation reserve		(48,866)	(43,626)
Deficit		(6,754,794)	(6,498,219)
TOTAL SHAREHOLDERS' EQUITY		(941,631)	(821,377)
TOTAL LIABILITIES AND EQUITY		1,025,372	992,588

Nature of operations and going concern (Note 1)

Event after the reporting period (Note 13)

These financial statements were authorized for issue by the Board of Directors on December 19, 2022.

<i>"Douglas Macaulay"</i>	<i>"James Proudfoot"</i>
Director	Director

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

Lovitt Resources Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

	Note	Year ended June 30, 2022 \$	Year ended June 30, 2021 \$
Expenses			
Depreciation of property, plant and equipment		7,439	1,740
General and administrative		11,087	15,757
Interest on demand loans	6, 11	77,990	73,995
Management fees	11	120,000	120,000
Office rent, storage and utilities	11	-	7,000
Professional fees		47,285	53,530
Transfer agent and filing fees		8,002	11,054
Travel		2,145	1,504
		273,948	284,580
Other			
Interest income and recovery		1,402	2,499
Loss on shares issued for debt		-	(2,267)
Other income		1,249	4,431
Warrant derivative gain	7	14,722	-
Net loss for the year		(256,575)	(279,917)
Other comprehensive loss			
Foreign currency translation		(5,240)	(15,210)
Comprehensive loss for the year		(261,815)	(295,127)
Loss per common share – basic and diluted		(0.02)	(0.03)
Weighted average number of common shares outstanding		13,607,577	11,370,676

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

Lovitt Resources Inc.

Consolidated Statements of Changes in Equity For the years ended June 30, 2022 and 2021 (Expressed in U.S. Dollars)

	Number of Common Shares	Share Capital Amount \$	Preferred Shares Amount \$	Share Subscriptions Received (Receivable) \$	Contributed Surplus \$	Currency Translation Reserve \$	Deficit \$	Total \$
Balance at June 30, 2020	9,324,951	4,312,196	1	-	935,727	(28,416)	(6,218,302)	(998,794)
Private placement:								
Shares issued	1,724,012	193,874	-	-	-	-	-	193,874
Share issuance costs	-	(3,361)	-	-	-	-	-	(3,361)
Shares issued for debt	1,251,871	168,146	-	-	-	-	-	168,146
Share subscriptions received	-	-	-	113,885	-	-	-	113,885
Net loss for the year	-	-	-	-	-	(15,210)	(279,917)	(295,127)
Balance at June 30, 2021	12,300,834	4,670,855	1	113,885	935,727	(43,626)	(6,498,219)	(821,377)
Private placement:								
Shares issued July 21, 2021	732,397	95,372	-	(113,885)	-	-	-	(18,513)
Shares issued April 13, 2022	1,884,742	169,985	-	(9,911)	-	-	-	160,074
Net loss for the year	-	-	-	-	-	(5,240)	(256,575)	(261,815)
Balance at June 30, 2022	14,917,973	4,936,212	1	(9,911)	935,727	(48,866)	(6,754,794)	(941,631)

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

Lovitt Resources Inc.

Consolidated Statements of Cash Flows For the years ended June 30, 2022 and 2021 (Expressed in U.S. Dollars)

	Twelve months ended June 30, 2022 \$	Twelve months ended June 30, 2021 \$
Operating activities		
Loss for the year	(256,575)	(279,917)
Items not affecting cash:		
Depreciation of property, plant and equipment	7,439	1,740
Warrant derivative gain	(14,722)	-
Loss on shares issued for debt	-	2,267
Management fees accrued	120,000	120,000
Unrealized foreign exchange loss	-	39,804
Changes in non-cash working capital:		
Amounts receivable	3,516	(211)
Note receivable	(2,651)	(2,499)
Prepaid expenses	(25,074)	523
Accounts payable and accrued liabilities	(1,711)	(14,421)
Accrued interest	77,041	76,231
Deposit	-	-
Note payable	-	-
Cash used in operating activities	(92,737)	(56,483)
Investing activities		
Purchase of property, plant and equipment	(60,925)	-
Expenditures on mineral properties	(29,331)	(69,315)
Cash (used in) by investing activities	(90,256)	(69,315)
Financing activities		
Private placement proceeds	168,310	193,874
Share issuance costs	-	(3,361)
Share subscription received		113,885
Repayment of loans	(54,319)	(114,337)
Demand loan proceeds		29,275
Cash provided by financing activities	113,991	219,336
Effect of exchange rate changes	(5,240)	(15,210)
Increase (decrease) in cash during the year	(74,242)	78,328
Cash, beginning of year	78,479	151
Cash, end of year	4,237	78,479

See Note 12.

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

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is incorporated under the *Company Act* (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A.

The Company's principal office is located at 1942 167 Street, Surrey, B.C., V3Z 9R4.

These consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of material uncertainties as set out below that may cast significant doubt on the validity of this assumption. At June 30, 2022, the Company has no source of operating cash flow and a deficit of \$ 6,754,794 (June 30, 2021 - \$ 6,498,219). At June 30, 2022, the Company had a working capital deficiency of \$ 1,961,309 (June 30, 2021 - \$ 1,719,781) and expects to incur further losses in the development of its business.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. In order to ensure its ability to continue operating, the Company expects to sell shares from treasury, land, and any remaining non-mining equipment to finance a mineral exploration and development program. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID 19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the twelve months period ended June 30, 2022, using the significant accounting policies outlined below.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

Critical judgments and sources of estimation uncertainty

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments

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

- i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involved judgments or assessments made by management.
- ii) Management is required to assess the functional currency of each entity in the Company. In concluding that the U.S. dollar is the functional currency of the parent and its subsidiaries, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.
- iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful, and some assets are likely to become impaired in future periods.

Management has determined that there were no impairment indicators present in respect of its mineral properties and as a result no impairment test was performed.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical judgments (continued)

- iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- v) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 10.
- vi) Judgment is required to determine when transfer of control occurs relating to the sale of the Company's land and other property, plant and equipment. Management based its assessment on a number of indicators of control, which include, but are not limited to whether the Company has present right of payment, and whether the significant risks and rewards and legal title have been transferred to the purchaser.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

- i) Depreciation expense is allocated based on assumed useful life of property, plant and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.
- ii) The assessment of any impairment of mineral properties and property, plant and equipment are dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful life of assets.
- iii) The cost estimates are updated periodically during the life of a mine to reflect known developments (e.g. revisions to cost estimates and to the estimated lives of operations) and are subject to review at regular intervals. Decommissioning, restoration, and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations, and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration, or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. As at June 30, 2022 and June 30, 2021, there were no decommissioning liabilities.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents. There are no cash equivalents at June 30, 2022 and June 30, 2021.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and, where necessary, write-downs for impairment. Land is reclassified as held for sale upon being listed for sale.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful lives of the assets, at a rate between 20% and 50% commencing when the related asset is available for use.

Mineral properties

Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves and the property to which they relate is placed into production, sold or abandoned. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property. Administrative costs and other exploration costs that do not relate to any specific property are expensed as incurred. Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values.

Decommissioning liability

Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations.

On initial recognition, the estimated fair value of a decommissioning liability is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. Costs for restoration of site damage which is created on an ongoing basis during the exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax-risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The decommissioning liability is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Impairment tests for non-financial assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-financial asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-financial asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-financial asset to its recoverable amount.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Non-cumulative preferred shares without mandatory redemption features are accounted for in accordance with the substance of the contractual arrangement and, as such, are classified as equity.

Dividends paid on preferred shares classified as equity are recorded against the deficit and are included in the statement of changes in equity.

Equity financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Warrants issued in foreign currencies are classified as derivative liabilities. Upon exercise, in exchange for a fixed amount of common shares, the expected cash receivable is variable due to changes in foreign exchange rates. The Company measures derivative financial liabilities at fair value through profit or loss at initial recognition and in subsequent reporting periods. Fair value gains or losses are recognized in other (losses) gains on the statement of operations. The fair value of foreign currency share purchase warrants is determined using the quoted market price on the valuation date, which is a Level 1 input. Transaction costs, which are directly attributable to the offering, are allocated to equity and classified as equity financing transaction costs.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the contributed surplus included in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Foreign currency translation

Functional and presentation currency

The financial statements of the parent and its subsidiaries are prepared in the local currency of their home jurisdictions, being the Canadian dollar and the U.S. dollar, respectively. Consolidation of the parent and subsidiaries includes re-measurement from the local currency to the functional currency. The parent's and the subsidiaries' functional currency, being the currency of the primary economic environment in which the companies operate, is the U.S. dollar. These consolidated financial statements are presented in U.S. dollars.

Exchange rates published by the Bank of Canada were used to translate the accounts in preparing the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in other comprehensive loss.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss per share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Current and deferred income taxes

Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive loss.

Current income taxes, if any, are the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to amounts payable or receivable relating to previous years.

Current and deferred income taxes (continued)

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes are determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (“FVOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Amounts receivable, note receivable, accounts payable and accrued liabilities, accrued interest payable, note payable and demand loans are classified as amortized cost.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in comprehensive income (loss) in the period in which they arise. Cash and warrant derivative liability are classified as FVTPL.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income (loss) in the period in which they arise. At June 30, 2022 and June 30, 2021, the Company has not classified any financial instruments as FVOCI.

increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of comprehensive income (loss), as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive income (loss).

3. NOTE RECEIVABLE

On January 4, 2019, the Company sold a land parcel and settled part of the consideration with a \$ 54,000 note receivable. The note bears interest at an annual rate of 6%. The purchaser has the option to prepay all or part of the note and the note is secured by land.

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4. PROPERTY, PLANT AND EQUIPMENT

	Land \$	Equipment \$	Computers \$	Vehicles \$	Total \$
Cost:					
Balance as at June 30, 2020	173,802	54,005	31,461	900	260,168
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at June 30, 2021	173,802	54,005	31,461	900	260,168
Additions	-	60,924	-	-	60,924
Disposals	-	-	-	-	-
Balance as at June 30, 2022	173,802	114,929	31,461	900	321,092
Accumulated depreciation:					
Balance as at June 30, 2020	-	48,050	30,309	900	79,259
Depreciation	-	1,497	243	-	1,740
Balance as at June 30, 2021	-	49,547	30,552	900	80,999
Depreciation	-	6,983	455	-	7,438
Balance as at June 30, 2022	-	56,530	31,007	900	88,437
Carrying amount:					
At June 30, 2020	173,802	5,955	1,152	-	180,909
At June 30, 2021	173,802	4,458	909	-	179,169
At June 30, 2022	173,802	58,398	455	-	232,655

5. MINERAL PROPERTIES

	June 30 2022 \$	June 30 2021 \$
Lovitt Mineral Property – Washington, USA	1	1
Golden King and MacBeth Claims – Washington, USA	1	1
Deferred exploration costs	714,455	685,124
TOTAL	714,457	685,126

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5. MINERAL PROPERTIES (continued)

As at June 30, 2022 and 2021, deferred exploration costs were as follows:

	June 30, 2022 \$	June 30, 2021 \$
Geology and consulting	356,699	331,121
Assay fees	28,040	27,474
Travel	131,278	129,582
Supplies and permits	43,024	41,533
Field expenditures	155,414	155,414
TOTAL	714,455	685,124

The Lovitt Mineral Property represents a 100% undivided interest in 200 acres with mineral rights. The Golden King and MacBeth claims represent a 100% undivided interest in 40 acres with mineral rights. The mineral interest is subject to a 5% net smelter royalty, payable to a former minority investor of Lovitt Mining Company Inc., as an incentive to a buyout concluded in 2004.

Mineral properties include nominal acquisition costs as they were written down in prior years. During the twelve months ended June 30, 2022, the Company incurred \$ 29,331 (June 30, 2021 - \$ 69,315) of exploration costs.

6. DEMAND LOANS

	June 30 2022 \$	June 30 2021 \$
Loan from a corporation owned by a director of the Company interest calculated at 5% per annum; not collateralized, due on demand	94,380	94,380
Loan from a corporation owned by a director of the Company no required monthly payments; interest calculated at 5% per annum; not collateralized, due on demand	856,514	790,833
No required monthly payments interest calculated at 5% per annum; not collateralized, due on demand	25,000	25,000

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6. DEMAND LOANS (continued)

Loan from a corporation owned by a director of the Company interest calculated at 5% per annum; not collateralized, due on demand	365,000	365,000
Loan from a corporation owned by a director of the Company interest calculated at 5% per annum; not collateralized, due on demand	83,026	83,026
	1,423,920	1,358,239

See Notes 7(b) and 11.

7. SHARE CAPITAL

a) Authorized Capital:

Unlimited number of common shares without par value, and 100,000,000 preferred shares with par value of \$ 0.00001 per share.

b) Shares

On August 4, 2020, the Company issued 1,724,012 units for gross proceeds of \$193,874 (\$ 258,602 CAD). Each unit consisted of one common share and one common share purchase warrant. The warrants had an exercise price of \$0.25 CAD and expiry date of six months from the date of issue. All warrants expired on February 4, 2021, unexercised. \$3,361 of financing costs were incurred as part of the private placement. 320,000 of common shares were issued to a director, immediate family members of a director and a corporation controlled by a director.

On February 8, 2021, the Company issued 1,251,871 common shares to settle debts of \$ 168,146 (\$ 212,818 CAD) due to directors, shareholders, and vendors. The Company incurred a \$ 2,267 loss on settlement. As part of the settlement, 1,143,142 of common shares, valued at \$ 153,542 were issued to related parties. These related party debts were settled as follows: 261,161 common shares issued to settle \$ 35,078 of accrued interest payable and 881,981 common shares issued to settle \$ 118,464 of demand loans.

On July 21, 2021, the Company closed a private placement and issued a total of 732,397 units for proceeds of \$113,885 (\$139,155 CAD). Each unit consisted of one common share and one common share purchase warrant. The warrants had an exercise price of \$0.29 CAD and an expiry date of six months from the date of issue.

On April 13, 2022, the Company closed a private placement and issued a total of 1,884,742 units for proceeds of \$178,221 (\$226,169 CAD). Each unit consisted of one common share and one common share purchase warrant. The warrants have an exercise price of \$0.18 CAD and expiry date of six months from the date of issue.

Lovitt Resources Inc.

Notes to the Consolidated Financial Statements

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7. SHARE CAPITAL (continued)

See Note 11.

c) Warrants

At June 30, 2022, the Company had a total of 1,884,742 (2021 – Nil) warrants outstanding. Warrant activity is analyzed as follows:

	Number of warrants	Weighted average exercise price CAD \$
Balance, June 30, 2020	-	-
Issued	1,724,012	0.25
Expired	(1,724,012)	0.25
Balance, June 30, 2021	-	-
Issued	2,629,639	0.17
Expired	(732,397)	0.29
Balance, June 30, 2022	1,897,242	0.18

During the year ended June 30, 2022, a total of 2,629,639 warrants were issued as a result of the private placements described in Note 7b. These warrants were determined to be derivatives as the exercise price is denominated in Canadian dollars and the Company's function currency is United States dollars.

The fair value of the 732,397 warrants issued on July 21, 2021 had an estimated value of \$18,513 on the date of the grant. All warrants expired on January 21, 2022 unexercised. The value was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

Expected dividend yield	0.00%
Stock price volatility	93.14%
Risk-free interest rate	0.19%
Expected life of warrants	0.5 years

The fair value of the 1,897,242 warrants issued on April 13, 2022 had an estimated value of \$8,236 on the date of the grant. All warrants expired on October 13, 2022 unexercised. The value was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

Expected dividend yield	0.00%
Stock price volatility	78.43%
Risk-free interest rate	1.46%
Expected life of warrants	0.5 years

Lovitt Resources Inc.

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7. SHARE CAPITAL (continued)

d) Share option plan

The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

The Company had no share options outstanding as at June 30, 2022 and June 30, 2021.

e) Preferred shares:

	Number	Amount \$
Balance as at June 30, 2022 and 2021	75,160	1

Preferred shares issued are comprised of 75,160 non-cumulative preferred series A issue 1 shares with a face value of \$ 10 each, and a 5% annual coupon rate.

8. SEGMENTED INFORMATION

As at June 30, 2022 and 2021 the Company's identifiable assets, revenue and net income (loss) in each of the geographic areas is as follows:

	June 30, 2022 \$			June 30, 2021 \$		
	Identifiable assets	Revenue	Net income (loss)	Identifiable assets	Revenue	Net income (loss)
United States	1,022,442	-	(220,787)	915,815	-	(220,870)
Canada	2,930	-	(35,788)	76,773	-	(59,047)
	1,025,372	-	(256,575)	992,588	-	(279,917)

Lovitt Resources Inc.

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9. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost.

a) Fair value hierarchy

IFRS 13 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data.

The fair value of cash is based on Level 1 inputs for the fair value hierarchy.

The fair value of the warrant derivative liability is based on Level 3 inputs for the fair value hierarchy. The fair value of the warrant liability is re-measured quarterly using the Black-Scholes option pricing model. See Note 7 for details.

The fair value of financial instruments at June 30, 2022 and 2021 are summarized as follows:

	June 30, 2022		June 30, 2021	
	\$		\$	
	Carrying amount	Fair value	Carrying amount	Fair value
Fair value through profit or loss				
Cash	4,237	4,237	78,479	78,479
Warrant derivative liability	12,027	12,027	-	-
Amortized cost				
Amounts receivable	1,457	1,457	4,973	4,973
Note receivable	46,593	46,593	43,942	43,942
Accounts payable and accrued liabilities	24,711	24,711	26,422	26,422
Accrued interest payable	506,345	506,345	429,304	429,304
Demand loans ¹	1,423,920	1,423,920	1,358,239	1,358,239

¹ The amounts shown for fair value represent the amount of funds required for immediate settlement.

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Notes to the Consolidated Financial Statements

For the years ended June 30, 2022 and 2021

(Expressed in U.S. Dollars)

9. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Cash, amounts receivable and note receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial institutions and dealing with credit worthy parties.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. See also Note 1. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

Interest rate risk

Note payable and demand loans bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

Foreign exchange risk

The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the parent and subsidiaries' functional and reporting currency is the U.S. dollar. The fluctuation of the US Dollar in relation to the Canadian Dollar will have an impact upon the profitability of the Company and the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's portfolio of properties has exposure to predominantly gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

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10. INCOME TAXES

The Company has non-capital losses for Canadian income tax purposes of approximately \$ 882,000 (CAD \$ 1,137,000) (June 30, 2021 – US \$873,000, CAD \$ 1,082,000) available to reduce future years' taxable income. The Company also has net operating loss carry-forwards for tax purposes of approximately \$ 3,551,000 (June 30, 2021 - \$ 3,338,000) available for deduction against future taxable income in the United States.

The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses expire at various rates between 2026 through 2042.

The Company has undepreciated Mineral Property Cost for US tax purposes of \$ 461,427 (June 30, 2021 - \$ 461,427). These available deductions have no expiry date and can be offset against future taxable income. The potential tax benefit of these amounts has not been reflected in these accounts.

The significant components of the Company's unrecognized deferred income taxes are as follows as at June 30, 2022 and 2021:

	June 30, 2022	June 30, 2021
	\$	\$
Deferred income tax assets		
Benefit of loss carry-forwards	984,000	937,000
Benefit of resources tax pool	122,000	123,000
	<u>1,106,000</u>	<u>1,060,000</u>
Valuation allowance	(1,106,000)	(1,060,000)
Net deferred income tax asset	-	-

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes:

	June 30, 2022	June 30, 2021
	\$	\$
Income taxes (recovery) at statutory income taxes rates (2022 - 27%; 2021 - 27%)	(71,000)	(75,000)
Effect of foreign income taxed at different rates	13,000	13,000
Unrecognized benefit of income	<u>58,000</u>	<u>62,000</u>
	-	-

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11. RELATED PARTY DISCLOSURES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and directors.

As at June 30, 2022, accrued interest payable includes \$ 483,771 (June 30, 2021 - \$ 429,304) due to directors, immediate family of a director and a corporation owned by a director.

As at June 30, 2022, demand loans include loans outstanding of \$ 1,423,920 (June 30, 2021 - \$ 1,358,239) to directors and corporations owned by directors.

During the year ended June 30, 2022, the Company was charged \$ 120,000 (June 30, 2021 - \$ 120,000) for accounting, consulting, management services and casual labour provided by directors and members of their immediate families and by a corporation owned by a director of the Company.

During the year ended June 30, 2022, the Company was charged \$ 74,794 (June 30, 2021 - \$ 73,995) for interest on the outstanding loans from a director of the Company (and members of his immediate family) and by corporations controlled by directors.

See Notes 6 and 7(b).

12. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended June 30, 2022 and June 30, 2021, non-cash activities were conducted by the Company as follows:

- a) During fiscal 2022, \$ 120,000 (June 30, 2021 - \$ 120,000) of non-cash management fees were recorded as an increase to demand loans.
- b) During fiscal 2022, \$ Nil (June 30, 2021 - \$ 3,176) are included under accounts payable and accrued liabilities
- c) During fiscal 2021, \$12,338 of accounts payable, \$ 35,078 of accrued interest payable and \$ 118,464 of demand loans were settled via issuance of the Company's common shares.

13. CAPITAL MANAGEMENT

The Company's objective when managing capital, defined as all components of equity, is to safeguard its ability to continue as a going concern and to pursue the exploration and evaluation of its properties. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets and seeks to retain sufficient equity to ensure that cash flows from assets will be sufficient to meet future cash flow requirements. In order to maintain or adjust the capital structure, the Company may issue shares, adjust its capital spending and dispose of assets.

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14. EVENTS AFTER THE REPORTING PERIOD

\$13,831 of the loan receivable was repaid subsequent to year end.

All 1,897,242 warrants issued on April 13, 2022 expired on October 13, 2022 unexercised.