CBLT INC.

Consolidated Financial Statements

May 31, 2021 and 2020

(Expressed in Canadian Dollars)

CBLT INC.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of CBLT Inc.:

Opinion

We have audited the consolidated financial statements of CBLT Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), cash flows and changes in equity 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 consolidated financial position of the Company as at May 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 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's ability to continue as a going concern is dependent upon its ability to obtain additional financing. The Company has incurred losses over the years resulting in an accumulated deficit in the amount of $4,694,666 at May 31, 2021. 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:

- 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 financial statements in accordance with IFRSs, 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 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.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Kevin Ramsay.

Wasserman Ramsay

Markham, Ontario
September 27, 2021

Chartered Professional Accountants
Licensed Public Accountants

CBLT INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at May 31, 2021, 2020, and 2019

	2021	2020 (Restated-Note 2)	2019
ASSETS			
Current			
Cash and cash equivalents	**$ 308,237**	$ 23,930	$ 22,564
Investments (Note 5)	**377,116**	1,834	378,660
Sundry receivables	**43,087**	34,688	8,724
Prepaid expenses	**13,158**	9,803	9,248
	$ 741,598	$ 70,255	$ 419,196
LIABILITIES			
Current			
Accounts payable and accrued liabilities (Note 8)	**$ 133,774**	$ 377,682	$ 230,280
CEBA loan (Note 6)	**49,944**	-	-
Liability for flow-through shares	**78,105**	-	-
Promissory notes payable (Note 7)	**60,000**	60,000	-
Provision for indemnification of flow-through subscribers (Note 12)	**240,000**	240,000	- 240,000
	561,823	677,682	470,280
SHAREHOLDERS' DEFICIT			
Share capital (Note 9)	**4,355,364**	4,052,529	4,052,529
Contributed surplus (Notes 9, 10, and 11)	**519,077**	511,705	514,705
Deficit	**(4,694,666)**	(5,171,661)	(4,618,318)
	179,775	(607,427)	(51,084)
	$ 741,598	$ 70,255	$ 419,196

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

Nature of business and going concern (Note 1)
Commitments and contingencies (Note 17)

APPROVED BY THE BOARD

(s) Peter Clausi Director

(s) Brian Crawford Director

CBLT INC.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	May 31, 2021	May 31, 2020 (Restated – Note 2)
Expenses		
General and administrative (Note 8)	**$ 187,845**	$ 157,374
Professional fees	**29,343**	26,378
Filing and transfer agent fees	**27,757**	21,388
Share-based compensation	**64,117**	-
General exploration expenditures	**38,723**	24,377
	(347,785)	(229,517)
Other income (expense)		
Miscellaneous revenue	**20,000**	-
Government grant	**12,331**	-
Gain on extinguishment of debt	**71,597**	-
Gain on sale of mineral properties (Note 4)	**1,327,500**	50,000
(Loss) on investments-unrealized (Note 5)	**(669,728)**	(376,826)
Gain on sale of investments-realized	**15,139**	-
	776,839	(351,203)
Income (loss) before income taxes	**429,054**	(556,343)
Deferred income tax benefit	**611**	-
		-
Net income (loss) and comprehensive income (loss)	**$ 429,665**	$ (556,343)
Income (loss) per share-basic	$ **0.01**	$ (0.01)
-diluted	**0.01**	(0.01)
Weighted average number of shares outstanding – basic	**72,946,628**	70,235,359
– diluted	**79,534,628**	94,019,359

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

CBLT INC.
Consolidated Statements of Changes in Shareholders' Deficit
(Expressed in Canadian Dollars)

	Common Shares	Contributed Surplus	Deficit	Total
Balance, May 31, 2019	$ 4,052,529	$ 514,705	$(4,618,318)	$ (51,084)
Options and warrants expired	-	(3,000)	3,000	-
Net loss and comprehensive loss	-	-	(556,343)	(556,343)
Balance, May 31, 2020	$ 4,052,529	$ 511,705	$(5,171,661)	$ (607,427)
Share issued-subscription receivable	29,830	-	-	29,830
Shares issued for cash	271,202	-	-	271,202
Share issue costs-cash	(5,539)	-	-	(5,539)
Share issue costs-broker warrants	(753)	753	-	-
Flow-through premium	(78,716)	-	-	(78,716)
Options exercised	8,500	-	-	8,500
Transfer from contributed surplus on exercise of options	10,168	(10,168)	-	-
Warrants exercised	14,493	-	-	14,493
Shares issued for debt	53,650	-	-	53,650
Share-based compensation		64,117	-	64,117
Options and warrants expired	-	(47,330)	47,330	-
Net income (loss) and comprehensive income (loss)	-	-	429,665	429,665
Balance, May 31, 2021	$ 4,355,364	$ 519,077	$(4,694,666)	$ 179,775

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

CBLT INC.
Consolidated Statements of Cash Flows
May 31, 2021 and 2020
(Expressed in Canadian Dollars)

	May 31, 2021	May 31, 2020 (Restated-Note 2)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net income (loss) and comprehensive income (loss) for the year	**$ 429,665**	$ (556,343)
Deferred income taxes	**(611)**	-
Gain on extinguishment of debt	**(71,597)**	-
Gain on sale of mineral properties	**(1,327,500)**	(50,000)
Unrealized loss on investments	**669,728**	376,826
Realized gain on investments	**(15,139)**	-
Share-based compensation	**64,117**	-
Government grant	**(12,331)**	-
Accretion	**2,275**	-
Changes in non-cash working capital items		
Sundry receivables	**21,431**	(25,964)
Prepaid expenses	**(3,355)**	(555)
Accounts payable and accrued liabilities	**(118,661)**	147,402
	(361,978)	(108,634)
INVESTING ACTIVITIES		
Proceeds on sale of mineral properties-net	**282,490**	50,000
Proceeds on sale of investments	**15,139**	-
	297,629	50,000
FINANCING ACTIVITIES		
Proceeds of promissory notes	-	60,000
Common shares issued-net	**265,663**	-
Exercise of options and warrants	**22,993**	-
Proceeds of CEBA loan	**60,000**	-
	348,656	60,000
Change in cash	**284,307**	1,366
Cash and cash equivalents, beginning of year	**23,930**	22,564
Cash and cash equivalents, end of year	**$ 308,237**	$ 23,930

Supplemental Cash Flow Information (Note 14)

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

1. NATURE OF BUSINESS AND GOING CONCERN

CBLT Inc. (the "Company"), was incorporated under the Canada Business Corporations Act on April 28, 2008 and was continued under the Ontario Business Corporations Act on April 24, 2017.

The Company's shares are listed on the TSX Venture Exchange. The head office, principal address and records office of the Company are located at Suite 200, 3310 South Service Road Burlington, Ontario, Canada L7N 3M6.

The Company is primarily engaged in the business of acquiring, exploring and dealing in mineral properties in Canada. There has been no determination whether properties held contain economically recoverable mineral resources.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These consolidated financial statements do not reflect adjustments or classifications which might be necessary if the Company was not able to continue as a going concern. These adjustments could be material.

2. CHANGE IN ACCOUNTING POLICY

Effective June 1, 2020, as permitted under IFRS 6, Exploration for and Evaluation of Mineral Resources, the Company voluntarily changed its accounting policy for its exploration and evaluation ("E&E") expenditures, to expense exploration and evaluation costs in the Statement of Comprehensive Loss in the period in which they were incurred whereas previously all of the E&E expenditures had been capitalized on the Statement of Financial Position.

The Company has determined that this change in accounting policy enhances the reliability of the financial statements because of the difficulty associated with demonstrating that these costs meet the definition of an asset. The Company has also determined that reflecting its E&E expenditures in the Statement of Net Loss and Comprehensive Loss and categorizing them as part of its operating activities in the Statement of Cash Flows better reflects the economic substance of its operations during the fiscal periods presented. This change in accounting policy has been applied retrospectively.

(Expressed in Canadian Dollars)

2. EFFECT OF CHANGE IN ACCOUNTING POLICY – continued

Statement of Financial Position as at May 31, 2019

	As previously reported $	Effect on change in accounting policy $	As restated under new policy $
Non-current assets			
Mineral properties *(i)*	-	-	-
Total assets	419,196	-	419,196
Liabilities and shareholders' equity			
Deficit *(i)*	(4,618,318)	-	(4,618,318)
Total shareholders' equity	(51,084)	-	(51,084)
Total liabilities and shareholders' equity	419,196	-	419,196

Statement of Consolidated Financial Position as at May 31, 2020

	As previously reported $	Effect on change in accounting policy $	As restated under new policy $
Non-current assets			
Mineral properties *(i)*	-	-	-
Total assets	-	-	-
Liabilities and shareholders' equity			
Deficit *(i)*	(5,171,661)	-	(5,171,661)
Total shareholders' equity	(607,427)	-	(607,427)
Total liabilities and shareholders' equity	70,255	-	70,255

(Expressed in Canadian Dollars)

2. EFFECT OF CHANGE IN ACCOUNTING POLICY – continued

Statement of Consolidated Comprehensive Loss for the year ended May 31, 2020

	As previously reported $	Effect on change in accounting policy $	As restated under new policy $
Expenses			
Exploration and evaluation expenses *(i)*	-	(24,377)	(24,377)
Write-down on mineral properties	(24,377)	24,377	-
Loss and Comprehensive Loss	(556,343)	-	(556,343)

Statement of Consolidated Cash Flows for the year ended May 31, 2020

	As previously reported $	Effect on change in accounting policy $	As restated under new policy $
Operating Activities			
Loss and comprehensive loss for the year	(556,343)	24,377	(556,343)
Impairment of exploration and evaluation	24,377	(24,377)	-
Cash used in operating activities	(84,257)	-	(108,634)
Investing Activities			
Mineral properties	(24,377)	24,377	-
Cash used in investing activities	25,623	-	50,000

(i) Exploration and evaluation expenditures previously recorded as an asset were expensed and amounts previously recorded by way of an impairment of the expenditures previously recorded as an asset were reversed.
(ii) Acquisition costs of mineral properties form part of investing activities while expenditures on exploration related activities are considered part of the Company's operations.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance with International Financial Reporting Standards
These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of May 31, 2021. The Board of Directors approved the consolidated financial statements on September 27, 2021.

Basis of preparation
The consolidated financial statements of the Company include the accounts of its wholly owned subsidiary AgAuCu Canada Inc. and have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

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

Exploration and evaluation assets
During the current year the Company changed its accounting policy with respect to Exploration and Evaluation Assets. Prior to this change, the Company capitalized all costs related to mineral exploration and property evaluation expenditures. The Company now expenses all exploration and evaluation costs related to mineral property exploration as incurred. Refer to Note 2 for the impact of the retrospective restatement of the change in accounting policy resulting from the application of the change in policy.

The revised policy under Exploration and Evaluation Expenditures is as follows:

Costs incurred with respect to exploration and evaluation ("E&E") of the Company's mineral properties, including acquisition costs, are expensed as incurred until the technical feasibility and commercial viability of extracting the mineral resource is determined, only costs directly related to E&E expenditures are capitalized. Costs not directly attributable to E&E activities are expensed in the year in which they occur.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction".

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Income taxes

Income taxes are accounted for using the asset and liability method. Under this approach, deferred income tax assets and liabilities are determined based on differences between the carrying amounts and the tax basis of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to apply when the amounts are realized. Deferred income tax assets are recognized to the extent that it is probable there will be sufficient taxable profits against which to utilize the benefits in the future.

The tax expense includes current and deferred tax. This expense is recognized in net loss, except for income tax related to the components of other comprehensive income or of equity. In these specific cases, the tax expense is recognized in other comprehensive income or equity, respectively.

Income tax receivables and payables are obligations or claims for the current and prior periods to be paid to (or recovered from) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit, which differs from accounting profit, using tax rates and laws which are substantially enacted at the end of the reporting period.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as warrants in shareholders' equity. Share issue costs are netted against share proceeds.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any received from the investor, which is recognized as a

3. SIGNIFICANT ACCOUNTING POLICIES – continued

liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as a deferred income tax recovery and the resulting deferred tax is recognized as a tax provision.

Flow-through shares – continued
Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Restoration, rehabilitation and environmental obligations
A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of a plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax 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.

Impairment of non-financial assets
At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in net loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Impairment of non-financial assets – continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, 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, where appropriate, the risks specific to the liability. See Note 12.

Foreign currencies

Transactions in currencies other than the functional currency are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at period-end rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Any resulting differences are included in net loss.

Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVTPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVTPL are measured at fair value with changes in fair value recognized in the statements of net loss and comprehensive loss. Investments in shares and warrants are classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the statements of operations. The election is available on an investment-by-investment basis. Investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVTPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities are classified as and measured at amortized cost.

De-recognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate. A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the

3. SIGNIFICANT ACCOUNTING POLICIES – continued

original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in net loss.

Impairment of financial assets:

A loss allowance for expected credit losses is recognized in net loss for financial assets measured at amortized cost. At each statement of financial position date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Financial instruments recorded at fair value:

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- 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 May 31, 2021, the carrying value of investments is recorded at fair value on the statement of financial position. Investment in public company shares which are traded in an active market, such as a recognized stock exchange, are carried at fair value using the quoted trading share price and would be considered Level 1. Investment in public company shares which are not traded in an active market are carried at fair value using inputs from observable markets where possible, but where this is not feasible, a degree of judgement and assumptions provided by

3. SIGNIFICANT ACCOUNTING POLICIES – continued

management is required in establishing fair value. Changes in assumptions relating to these factors could affect the reported fair value of these financial instruments. These are included in Level 3 of the fair value hierarchy.

Comprehensive loss

Comprehensive loss is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in profit or loss.

Share-based payments

The fair value of share options granted is measured at grant date, using an option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in contributed surplus. For options with graded vesting, each tranche is measured separately and the amount recognized as expense is adjusted to reflect the number of share options expected to vest. If the stock options are exercised, the proceeds are credited to share capital and the fair value at the date of grant is reclassified from contributed surplus to share capital.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for at the fair value of the goods or services received, unless the fair value cannot be estimated reliably. If the Company cannot reliably estimate the fair value of the goods or services received, the Company measures their value by reference to the fair value of the equity instruments granted.

Critical areas of judgment and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. These judgments and estimates are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances. Actual results may differ from the amounts included in the audited consolidated financial statements.

Areas of significant judgment and estimates affecting the amounts recognized in the audited consolidated financial statements include:

(i) Impairment of non-financial assets

The Company's fair value measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual fair values. The fair values are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated fair values of non-financial assets to their carrying values. The fair value estimates may differ from actual fair values and these differences may be significant and could have a material impact on the Company's financial position and financial performance. Assets are reviewed

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Critical areas of judgment and estimation uncertainty – continued

for an indication of impairment at each date of the statement of financial position. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to, significant negative industry or economic trends, interruptions in exploration and evaluation activities and significant drop in precious metal prices.

(ii) Valuation of share-based payments

The Company records all share-based payments using the fair value method. The Company uses the Black-Scholes model to determine the fair value of stock options. The main factor affecting the estimates of the fair value of stock options is the stock price expected volatility used. The Company currently estimates the expected volatility of its common shares based on the trading history of the Company taking into consideration the expected life of the options.

(iii) Valuation of financial instruments

A number of the Company's accounting policies and disclosures require the measurement of fair values, for the Company's financial instruments. When the measurement of fair values cannot be determined, based on quoted prices in active markets, fair value is measured using valuation techniques and models. The inputs to these models are taken from observable markets where possible but, where this is not feasible, a degree of judgment is required in establishing fair values. Changes in assumptions about these inputs to these models could affect the reported fair value of the Company's financial instruments.

When measuring fair value of an asset or liability, the Company uses market observable data to the extent that it is possible. To the extent that these estimates differ from those realized, the measured asset or liability, net earnings (loss), and/or comprehensive income (loss) will be affected in future periods.

Loss per common share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for the issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. Diluted loss per share does not include the effect of potentially issuable common shares if their effect is anti-dilutive.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share capital

Financial instruments issued by the Company are classified as equity only to the extent they do not meet the definition of a financial liability or financial asset. The Company's common shares and flow-through shares are classified as equity instruments. Incremental costs directly attributable to the issuance of equity instruments are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

Segment disclosures

The Company currently operates in a single segment, the acquisition, exploration and development of mineral properties. All of the company's activities are conducted in Canada.

Adoption of new accounting standards

Future changes in accounting policies

Amendments to IFRS 3, Business Combinations (IFRS 3) - Definition of a Business In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. The amendments are effective January 1, 2020, with early adoption permitted. The amendments are applied prospectively to transactions or other events that occur on or after the date of first application.

Amendment to IAS 1, Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current- In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1 to clarify the requirements for classifying liabilities as current or non-current. The amendments specify that the conditions which exist at the end of a reporting period are those which will be used to determine if a right to defer settlement of a liability exists. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective January 1, 2022, with early adoption permitted.

The amendments are not expected to have an impact on the Company's consolidated financial statements.

4. EXPLORATION AND EVALUATION PROPERTIES

During the year ended May 31, 2021 the following Exploration and Evaluation expenditures were incurred by the Company:

	2021	2020
	$	$
Property payments	25,000	18,785
Geological services	13,723	5,592
Total	**38,723**	**24,377**

4. EXPLORATION AND EVALUATION PROPERTIES – continued

Copper Prince
On June 14, 2016, the Company acquired a 100% interest in the Copper Prince property. As consideration the Company made a cash payment of $10,000 and issued 200,000 common shares at $0.08 per common share in favour of the vendor.

The property is subject to a 2% net smelter return royalty.

On August 4, 2016, the Company staked 4 mineral claims for a cash cost of $4,400. The claims are not adjacent to the Copper Prince property.

During the 2021 fiscal year, the Company carried out minimal exploration and evaluation activities.

Chilton Cobalt
On February 27, 2017, the Company acquired a 100% interest in the Chilton Cobalt property located in the Laurentian Region of Quebec. As consideration the Company issued 150,000 common shares at $0.07 per common share and 150,000 share purchase warrants exercisable at $0.10 per common share in favour of the vendor. The share purchase warrants issued for one property were assigned a fair value of $13,788 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 192%; risk-free interest rate of 1.20%; and an expected maturity of one year.

During the 2021 fiscal year, the Company carried out no exploration and evaluation activities.

Gowganda Cobalt
On May 12, 2017, the Company acquired a 100% interest in the Gowganda Cobalt property located near Gowganda, Ontario. As consideration the Company made a cash payment of $67,650 and issued 562,500 common shares at $0.08 per common share and issued 562,500 share purchase warrants exercisable at $0.10 in favour of the vendor. The share purchase warrants were assigned a fair value of $37,296 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 187%; risk-free interest rate of 1.20%; and an expected maturity of one year.

The property is subject to a 2% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2020 fiscal year, the remaining claims comprising the Gowganda Cobalt property lapsed.

Geneva Lake
On November 12, 2012, the Company acquired a 100% interest in the Geneva Lake property. As consideration, the Company issued 200,000 common shares at a deemed price of $0.10 per common share and 200,000 share purchase warrants exercisable at $0.20 per common share in favour of the vendor.

4. EXPLORATION AND EVALUATION PROPERTIES – continued

The property is subject to a 2.0% net smelter return royalty of which the Company can purchase a 50% interest at any time for $500,000.

During the 2021 fiscal year, the Company carried out no exploration and evaluation activities.

Northshore

On March 12, 2019, the Company acquired a 56% interest in the Northshore property along with a 100% interest in the Big Duck Lake property, a 100% interest in the Auden property and a 100% interest in the Burnt Pond property by issuing 21,000,000 common shares at $0.025 and 21,000,000 share purchase warrants exercisable at $0.08. The share purchase warrants were assigned a fair value of $288,629 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 154%; risk-free interest rate of 1.57%; and an expected maturity of two years. The purchase price was allocated among the four properties on the basis of management's judgement as follows: Northshore-$522,112, Big Duck Lake-$194,345, Auden-$58,304, and Burnt Pond-$38,869.

The Northshore property, located in Northern Ontario, is co-owned pursuant to a joint venture agreement with Balmoral Resources Ltd. Under the terms of the joint venture agreement, the Company is the operator under the joint venture agreement.

During the 2020 fiscal year the Company entered into a sale agreement for the Northshore property. Consideration for the sale includes cash of $350,000 and common shares of the purchaser with a value of $1,100,000. Pursuant to the sale agreement, the Company received a non-refundable deposit in the amount of $50,000.

The sale was completed during the 2021 fiscal year with the Company receiving cash proceeds of $300,000, share consideration of $1,100,000 and incurring cash commissions of $17,500 and share commissions of $55,000 (91,667 shares) resulting in a gain on sale of $1,327,500.

Big Duck Lake

On March 12, 2019, the Company acquired a 56% interest in the Northshore property along with a 100% interest in the Big Duck Lake property, a 100% interest in the Auden property and a 100% interest in the Burnt Pond property by issuing 21,000,000 common shares at $0.025 and 21,000,000 share purchase warrants exercisable at $0.08. The share purchase warrants were assigned a fair value of $288,629 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 154%; risk-free interest rate of 1.57%; and an expected maturity of two years. The purchase price was allocated among the four properties on the basis of management's judgement as follows: Northshore-$522,112, Big Duck Lake-$194,345, Auden-$58,304, and Burnt Pond-$38,869.

The Big Duck Lake property, located in Northern Ontario, is subject to a 2% net smelter return royalty in favour of previous owners of the claims. The Company may purchase one-half of the royalty for an aggregate amount of $1,000,000 at any time.

During the 2021 fiscal year, the Company carried out no exploration and evaluation activities.

4. EXPLORATION AND EVALUATION PROPERTIES – continued

Burnt Pond

On March 12, 2019, the Company acquired a 56% interest in the Northshore property along with a 100% interest in the Big Duck Lake property, a 100% interest in the Auden property and a 100% interest in the Burnt Pond property by issuing 21,000,000 common shares at $0.025 and 21,000,000 share purchase warrants exercisable at $0.08. The share purchase warrants were assigned a fair value of $288,629 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; volatility of 154%; risk-free interest rate of 1.57%; and an expected maturity of two years. The purchase price was allocated among the four properties on the basis of management's judgement as follows: Northshore-$522,112, Big Duck Lake-$194,345, Auden-$58,304, and Burnt Pond-$38,869.

The Burnt Pond property is a Zinc-Copper Property located in central Newfoundland. The property is located in the Tally Pond volcanic belt which hosts Teck Resources Ltd's Duck Pond Mine and a number of other Copper-Zinc-Silver-Gold massive sulphide deposits.

During the 2021 fiscal year, the Company carried out no exploration and evaluation activities.

Ryliejack

On January 31, 2012, the Company acquired a 100% interest in the Peggy, Ryliejack and SK West properties. Pursuant to the purchase agreement, the Company made cash payment of $7,500 and issued 500,000 common shares at a deemed price of $0.15 per common share and 100,000 share purchase warrants exercisable at $0.15 per common share in favour of the vendor.

The property is subject to a 2.5% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2021 fiscal year, the Company carried out no exploration and evaluation activities.

Mikayla

On March 2, 2012, the Company acquired a 100% interest in the Mikayla property. Pursuant to the purchase agreement, the Company made cash payment in the amount of $9,294 and issued 150,000 common shares at a deemed price of $0.20 per common share. On November 4, 2012, the Company acquired a 100% interest in properties adjoining the Mikayla property. Pursuant to the purchase agreement, the Company made cash payment in the amount of $5,000 and issued 50,000 common shares at a deemed price of $0.10 per common share.

The property is to a 2.5% net smelter return royalty of which the Company can purchase a 50% interest at any time for $1,000,000.

During the 2021 fiscal year, the Company carried out minimal exploration and evaluation activities.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION PROPERTIES – continued

Shatford Lake

During the 2021 fiscal the Company purchased the Shatford Lake property. The Shatford Lake property consists of two mining claims located in the Bird River Greenstone Belt in Manitoba.

Consideration for the acquisition include a cash payment in the amount of $25,000 and the granting of a 2% NSR 50% of which can be acquired by the Company for $1 million.

During the 2021 fiscal year, the Company carried out minimal exploration and evaluation activities.

5. INVESTMENTS

		2021		2020
Ionic Brands Corp.-common shares	**$**	**2**	$	2
Speakeasy Cannabis Club Ltd.-common shares		**2,400**		1,600
Global Health Clinics Ltd.-common shares		**245**		230
Winmar Resources Limited-common shares		**0**		2
Ready Set Gold Corp.		**374,459**		-
Ciscom Corporation		**10**		-
	$	**377,116**	$	1,834

The investment in Ionic Brands Corp., Global Health Clinics Ltd., and Speakeasy Cannabis Club Ltd. represent 133, 960, and 4,000 common shares respectively. Adjustments to market resulted in an unrealized gain of $813.

The common shares of Ionic Brands Corp., Speakeasy Cannabis Club Ltd. and Global Health Clinics Ltd. are listed on the Canadian Securities Exchange.

The investment in Winmar Resources Limited consisted of 16,666,667 common shares prior to a 200:1 share consolidation. The shares were sold during the year resulting in a gain in the amount of $15,139.

The investment on Ready Set Gold Corp. (formerly Omni Commerce Corp.) consists of 1,833,333 common shares less 91,667 common shares to be distributed as finders' fees. The fair value of the shares reflects the consideration received on the sale of a mineral property to an unrelated entity. Ready Set Gold Corp. is listed on the Canadian Securities Exchange. During the year the carrying value of the investment was adjusted to the market value of the shares resulting in an unrealized loss of $670,541.

(Expressed in Canadian Dollars)

5. INVESTMENTS – continued

The investment in Ciscom Corporation consists of 4,965,116 shares and represents a 14% interest in the common shares of the corporation. Ciscom Corporation is a private company whose business model is the acquisition of operating entities.

6. CEBA

During the year, the Company received a non-interest bearing loan of $60,000 from the Government of Canada through the Canada Emergency Business Account (CEBA) program. The loan is due on December 31, 2022 and payment by the due date will result in $20,000 forgiveness of the loan. The Company has the discounted amount of the balance of the loan in the amount of $12,331 as government assistance. Accretion of $2,275 has been recorded with respect to the discounted amount.

7. PROMISSORY NOTES PAYABLE

Promissory notes, with unrelated parties, with a face value of $50,000 and $10,000 bearing interest at 10% per annum, are unsecured, originally due on October 22, 2020 and November 27, 2020 respectively were, during the current year, extended to December 31, 2021.

8. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

The Company had the following transactions in the normal course of operations with related parties:

	Years Ended			
		2021		**2020**
Management fees (i)	$	132,000	$	132,000
Office rent, supplies and consulting (ii)	$	-	$	7,000

(i) The Company paid or accrued $66,000 (2020 - $66,000) in management fees to the CEO of the Company and $66,000 (2020 - $66,000) to the CFO of the Company.

(i) The Company paid $nil (2020 - $7,000) for rent, supplies and administrative expenses to a private company controlled by a director and officer of the Company.

Accounts payable and accrued liabilities include $2,253 (2020 - $103,010) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended May 31, 2021, Maplegrow Capital Inc. and Brant Capital Partners Inc. exchanged $22,500 and $25,500 of debt owing by the Company to them for 900,000 and

(Expressed in Canadian Dollars)

8. RELATED PARTY TRANSACTIONS – continued

1,020,00 common shares respectively at $0.025 per common share, resulting in the conversion of $48,000 of debt for 1,920,000 common shares.

9. SHARE CAPITAL

Authorized
Unlimited number of common shares

Issued and outstanding

	Number of Shares	Share Capital
Balance May 31, 2019 and 2020	70,235,359	$ 4,052,529
Share subscriptions receivable	298,300	
Shares issued for cash	3,166,700	271,202
Share issue costs-cash	-	(5,539)
Share issue costs-broker warrants	-	(753)
Flow-through premium		(78,716)
Shares issued for debt	2,146,000	53,650
Options exercised	150,000	8,500
Warrants exercised	180,714	14,493
Transfer from contributed surplus on exercise of options	-	10,168
Balance May 31, 2021	**76,177,073**	**$ 4,325,534**

Share issuances

For the year ended May 31, 2021

(i) On July 29, 2020, the Company issued 2,146,000 common shares at $0.025 per share as consideration for debt in the amount of $52,650.

(ii) On December 30, 2020, the Company issued 886,700 units at $0.06 per unit for gross proceeds of $53,202, with each unit consisting of one common share designated as a flow-through share and one common share purchase warrant exercisable at $0.09 per common share for a period of twenty-four months from the date of issue. In addition, the Company issued 250,000 units at $0.06 per unit for gross proceeds of $15,000, with each unit consisting of one common share and one common share purchase warrant exercisable at $0.08 for a period of twenty-four months from the date of issue. Cash expenses of $3,639 were incurred.

(iii) On February 9, 2021, and February 17, 2021, the Company issued 41,387 common shares and 81,958 common shares respectively upon the exercise of 123,345 share purchase warrants for proceeds of $9,868.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL – continued

(iv) On February 17, 2021, the Company issued 150,000 common shares upon the exercise of stock options for proceeds of $8,500.

(v) On March 8, 2021 and March 12, 2021, the Company issued 40,978 common shares and 16,391 common shares respectively upon the exercise of 57,369 share purchase warrants for proceeds of $4,590.

(vi) On April 6, 2021, the Company issued 2,328,300 units at $0.10 per unit for gross proceeds of $232,830 with each unit consisting of one common share designated as a flow-through share and one flow-through warrant with each warrant entitling the holder to purchase one flow-through share for $0.15 per share for a period of twenty-four months from the date of issue. Cash expenses of $1,900 were incurred and 14,000 broker warrants were issued in connection with the financing.

10. SHARE-BASED PAYMENTS

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified.

The following table summarizes the continuity of the Company's stock options:

	Number of Options		Weighted Average Exercise Price
Balance May 31, 2019	**2819,000**	$	**0.08**
Exercised	-		0.00
Granted	-		0.00
Cancelled or expired	(35,000)		0.09
Balance May 31, 2020	**2,784,000**		**0.08**
Granted	1,200,000		0.05
Exercised	(150,000)		0.06
Cancelled or expired	(725,000)		0.05
Balance May 31, 2020	**3,109,000**	$	**0.08**

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS

At May 31, 2021, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of options outstanding	Number of options Exercisable	Exercise price	Expiry date
200,000	200,000	0.06	October 27, 2021
325,000	325,000	0.08	February 24, 2022
775,000	775,000	0.11	April 7, 2022
609,000	609,000	0.10	June 19, 2022
1,200,000	1,200,000	0.05	August 20, 2025
3,109,000	3,109,000		

The weighted average contractual life of the options outstanding at May 31, 2021 is 2.13 years (2020-1.59 years).

The total number of options exercisable as at May 31, 2021 is 3,109,000 (May 31, 2020 - 2,784,000).

Options Issued to Employees
Options issued to employees are measured at fair value at the grant date using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

Options Issued to Non-Employees
Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense was $64,117 (May 31, 2020 - $nil).

As at May 31, 2021 there was $nil (May 31, 2020 - $nil) of total unrecognized compensation cost related to unvested share-based compensation.

The model inputs for options granted during the years ended May 31, 2021 include

(Expressed in Canadian Dollars)

10. SHARE-BASED PAYMENTS – continued

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
August 20, 2020	August 20, 2025	$ 0.055	$ 0.05	1.57%	5 years	193%	0%

11. WARRANTS

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrant transactions and the number of share purchase warrants outstanding as at May 31, 2021 are summarized as follows:

	Exercise Price	Expiry Date	Number Outstanding May 31, 2020	Number Outstanding May 31, 2021
Acquisition of mineral properties	$0.08	March 12, 2021	21,000,000	-
Private placement	$0.08	December 30, 2022	-	250,000
Private placement	$0.09	December 30, 2022	-	886,700
Private placement	$0.15	April 6, 2023	-	2,328,300

In addition, there are 14,000 broker warrants outstanding exercisable at $0.15 which will expire April 6, 2023.

12. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2017, the Company was committed to incur $ 471,000 in qualifying Canadian exploration expenditures prior to January 1, 2019, pursuant to two 2017 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2017.

The Company incurred actual qualifying expenditures of $13,276 in 2017 and $126,549 in 2018, leaving a shortfall of $331,175 as at December 31, 2018. Accordingly, effective December 31, 2018 the Company recorded (in other expenses and current liabilities) a $240,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Quebec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible.

The Company has made the following assumptions in estimating the subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 46.16% and are eligible for both the federal 15% and the provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 58.75% and are eligible for the federal 15% investment tax credit and the 120% CEE "super-allowance";
- Of the $331,175 shortfall, $160,303 applies to Ontario subscribers and $170,872 applies to Quebec subscribers; and
- Subscribers will be assessed two year's interest on reassessed amounts.

As at May 31, 2020 and May 31, 2021, the Company has also accrued in accounts payable and accrued liabilities, the estimated Federal Part XII.6 tax and similar Quebec tax for the 2018 and prior years.

As at December 31, 2018, the Company had a $66,235 flow-through share premium liability which was transferred to the deferred tax provision effective December 31, 2018, in recognition of the Company's indemnification accrual.

13. FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and commodity price risk). Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Fair value
The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been

13. FINANCIAL RISK FACTORS – continued

prioritized into three levels to classify fair value measurements 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:

a. quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

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

c. inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

The Company's financial instruments measured at amortized cost include accounts payable and accrued liabilities. The carrying values of this financial instrument approximate fair value due to their short-term maturity.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with a reputable Canadian chartered bank. Management believes that the credit risk concentration with respect to financial instruments is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at May 31, 2021, the Company had cash and cash equivalents of $308,327 (May 31, 2020 - $23,930) to meet obligations of $561,823 (May 31, 2020-$677,682). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

13. FINANCIAL RISK FACTORS – continued

Market risk

(a) Interest rate risk

The Company has a cash balance and no interest-bearing debt. The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(b) Foreign currency risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency rates. The Company is not currently exposed to any significant foreign currency risk.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as they relate to gold to determine the appropriate course of action to be taken.

14. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. The Company considers its capital to be total shareholders' equity, comprising share capital, contributed surplus and deficit which at May 31, 2021 totaled $179,775 (May 31, 2020 - $(607,427).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the year ended May 31, 2021. The Company is not subject to any capital requirements imposed by a lending institution.

(Expressed in Canadian Dollars)

15. INCOME TAXES

Provision for Income Taxes

The following table reconciles the expected income tax provision at the statutory income tax rate of 26.5% (2020 - 26.5%) to the amounts recognized in the statements of loss and comprehensive loss:

		2021		2020
Income (loss) before income taxes	**$**	**429,054**	$	(556,343)
Expected income tax recovery at the statutory tax rate		**113,699**		(147,431)
Unrealized loss on investments		**117,748**		99,859
Gain on settlement of debt		**(18,973)**		(3,654)
Realized gain on sale of investments		**(4,012)**		-
Gain on sale of mineral properties		**(351,788)**		(6,625)
Share issue costs		**(3,297)**		(3,003)
Other		**20,997**		-
Benefit of tax losses not recognized		**125,626**		50,740
Flow-through premium		**(611)**		-
Income tax (recovery)	**$**	**(611)**	$	-
Provision for income taxes consists of the following				
Marketable securities	**$**	**-**	$	-
Deferred income taxes (recovery)		**(611)**		-
Non-capital loss carry-forward		**-**		-
	$	**(611)**	$	-

The following temporary differences have not been recognized in the consolidated financial statements.

		2021		2020
Non-capital loss carry-forwards	**$**	**3,159,000**	$	2,910,000
Capital losses carried forward		**372,000**		288,000
Share issuance costs		**13,000**		14,000
Marketable securities		**816,000**		248,000
Resource related asset		**-**		1,225,000
Other temporary differences		**78,000**		-
	$	**4,438,000**	$	4,685,000

(Expressed in Canadian Dollars)

15. INCOME TAXES – continued

Tax loss carry-forwards

As at May 31, 2021, the Company had approximately $3,159,000 (2020 - $2,910,000) of non-capital losses which can be used to reduce taxable income in future years.

The Company also has $372,000 (2020 - $288,000) of capital losses carried forward which can be utilized to reduce capital gains in future. The capital losses carried forward do not have an expiry date. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

16. SUPPLEMENTAL CASH FLOW INFORMTION

Supplemental schedule of non-cash transactions:		**2021**		2020
Interest paid	$	-	$	-
Taxes paid		-		-
Fair value of non-cash proceeds of disposal of exploration and evaluation assets (Note 4)		1,045,000		-
Shares issued for debt (Note 9)		53,650		-
Extinguishment of debt		71,597		

17. COMMITMENTS AND CONTINGENCIES

Flow-through Shares

On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as a tax provision and the related deferred tax is recognized as a tax provision. Other liabilities include the premium that has not yet been used to incur qualifying exploration expenditures. The following is a continuity schedule of the liability portion of the flow-through shares issuances.

Balance at May 31, 2020	$	-
Expenditure commitment on flow-through shares issued during the year		286,032
Settlement of flow-through share liability on Incurring expenditures		(2,225)
Balance at May 31, 2021	**$**	**283,807**

17. COMMITMENTS AND CONTINGENCIES – continued

Covid 19

The Corporation's business could be adversely affected by the effects of health epidemics, including the global COVID-19 pandemic. In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally, to include Canada, the United States and several European countries. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses. The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Corporation's ability to access capital, which could in the future negatively affect the Corporation's liquidity. In addition, a recession or market correction resulting from the spread of COVID- 19 could materially affect the Corporation's business and the value of the Corporation's common shares The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Corporation's business, operations and clinical trials will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease and whether Canada and other countries are required to move to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.