



**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MAY 31, 2021 AND 2020**

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
Ophir Gold Corp. (formerly Minkap Resources Inc.)

***Opinion***

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

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

***Basis for Opinion***

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

***Material Uncertainty Related to Going Concern***

We draw attention to Note 1 of the financial statements, which indicates that the Company incurred a net loss of \$1,107,227 during the year ended May 31, 2021 and, as of that date, the Company had an accumulated deficit of \$6,903,258. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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



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

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

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

September 27, 2021

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**Ophir Gold Corp.**  
*(formerly Minkap Resources Inc.)*  
 Statements of Financial Position  
 (Expressed in Canadian Dollars)

	As at	May 31, 2021	May 31, 2020
	Note(s)	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		2,153,560	209,519
Marketable securities	3	60,000	10,000
Amounts receivable		8,449	10,880
Prepaid expenses		225,514	1,063
		<b>2,447,523</b>	<b>231,462</b>
<b>Non-current assets</b>			
Reclamation deposits	4	65,784	-
Exploration and evaluation assets	5	1,158,301	-
		<b>1,224,085</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>3,671,608</b>	<b>231,462</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		133,121	202,131
<b>TOTAL LIABILITIES</b>		<b>133,121</b>	<b>202,131</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	6,397,438	4,255,443
Shares subscribed	6	50,000	-
Contributed surplus	6	3,994,307	1,569,921
Deficit		(6,903,258)	(5,796,033)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,538,487</b>	<b>29,331</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>3,671,608</b>	<b>231,462</b>
Nature of business and going concern	1		
Commitment	8		
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These financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/s/ Jon Bey Director

/s/ Shawn Westcott Director

**Ophir Gold Corp.***(formerly Minkap Resources Inc.)*

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Note(s)	For the years ended	
		May 31, 2021	May 31, 2020
		\$	\$
<b>Expenses</b>			
Consulting fees		295,638	106,725
Foreign exchange loss		97,851	-
General & administrative		39,703	3,176
Investor relations and promotion		112,352	9,709
Professional fees		65,041	32,584
Regulatory & transfer agents		62,812	20,277
Share-based payments	6	483,828	-
		<b>(1,157,225)</b>	<b>(172,471)</b>
<b>Other income</b>			
Fair value gain (loss) on marketable securities	3	38,000	(47,500)
Impairment of advance on letter of intent		-	(50,000)
Recovery of exploration and evaluation assets	3	12,000	32,500
		<b>50,000</b>	<b>(65,000)</b>
<b>Loss and comprehensive loss</b>		<b>(1,107,225)</b>	<b>(237,471)</b>
<b>Basic and diluted loss per share for the year (\$ per common share)</b>	6	<b>(0.03)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares outstanding</b>		<b>35,469,363</b>	<b>15,424,681</b>
- basic and diluted			

See accompanying notes to these financial statements.

**Ophir Gold Corp.***(formerly Minkap Resources Inc.)*

Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

	Share capital						Total
	Note(s)	Number of shares	Amount \$	Shares subscribed \$	Contributed surplus \$	Deficit \$	
<b>Balance at May 31, 2019</b>		<b>10,629,599</b>	<b>4,011,443</b>	-	<b>1,476,921</b>	<b>(5,558,562)</b>	<b>(70,198)</b>
Shares issued for cash - private placement	6	7,000,000	257,000	-	93,000	-	350,000
Share issue costs	6	-	(13,000)	-	-	-	(13,000)
Net loss for the year		-	-	-	-	(237,471)	(237,471)
<b>Balance at May 31, 2020</b>		<b>17,629,599</b>	<b>4,255,443</b>	-	<b>1,569,921</b>	<b>(5,796,033)</b>	<b>29,331</b>
Shares issued for cash - private placement	6	28,336,530	2,008,605	-	1,491,875	-	3,500,480
Share issue costs	6	-	(201,152)	-	-	-	(201,152)
Fair value of finders' and advisory warrants	6	-	(177,494)	-	177,494	-	-
Shares subscribed	6	-	-	50,000	-	-	50,000
Shares issued for cash - exercise of warrants	6	1,000,000	100,000	-	-	-	100,000
Shares issued for exploration and evaluation assets	5, 6	2,750,000	398,750	-	-	-	398,750
Fair value of the warrants issued for exploration and evaluation assets	5, 6	-	-	-	284,475	-	284,475
Reclassification of grant-date fair value on exercise of warrants	6	-	13,286	-	(13,286)	-	-
Share-based payments		-	-	-	483,828	-	483,828
Loss for the year		-	-	-	-	(1,107,225)	(1,107,225)
<b>Balance at May 31, 2021</b>		<b>49,716,129</b>	<b>6,397,438</b>	<b>50,000</b>	<b>3,994,307</b>	<b>(6,903,258)</b>	<b>3,538,487</b>

See accompanying notes to these financial statements.

**Ophir Gold Corp.**  
*(formerly Minkap Resources Inc.)*  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	Note(s)	For the years ended	
		May 31, 2021	May 31, 2020
		\$	\$
<b>Cash flow provided from (used by)</b>			
<b>OPERATING ACTIVITIES</b>			
<b>Loss for the year</b>		(1,107,225)	(237,471)
<b>Adjustments for items not affecting cash:</b>			
Share-based payments	6	483,828	-
Fair value loss (gain) on marketable securities	3	(38,000)	47,500
Recovery of exploration and evaluation assets	3	(12,000)	(32,500)
Write-off of advance of letter of intent		-	50,000
Effects of currency exchange rate changes on reclamation deposit	4	2,826	-
<b>Change in non-cash working capital</b>			
Amounts receivable		2,431	(3,368)
Prepaid expenses		(224,451)	7,662
Accounts payable and accrued liabilities		(69,010)	65,617
<b>Cash flow used in operating activities</b>		<b>(961,601)</b>	<b>(102,560)</b>
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation assets	5	(475,076)	-
Reclamation deposits	4	(68,610)	-
Advance on letter of intent		-	(50,000)
Option payments received		-	10,000
<b>Cash flow used in investing activities</b>		<b>(543,686)</b>	<b>(40,000)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from share issuance, net of share issue costs	6	3,399,328	337,000
Shares subscribed	6	50,000	-
<b>Cash flow from financing activities</b>		<b>3,449,328</b>	<b>337,000</b>
<b>Increase in cash</b>		<b>1,944,041</b>	<b>194,440</b>
<b>Cash, beginning of year</b>		<b>209,519</b>	<b>15,079</b>
<b>Cash, end of year</b>		<b>2,153,560</b>	<b>209,519</b>
<b>SUPPLEMENTAL CASH FLOW</b>			
Fair value of finders' and advisory warrants	6	177,494	-
Fair value of warrants issued	6	1,491,875	93,000
Shares issued for exploration and evaluation assets	6	398,750	-
Fair value of the warrants issued for exploration and evaluation assets	5, 6	284,475	-
Reclassification of the fair value of warrants exercised	6	13,286	-
Cash paid during the year for interest		-	-
Cash paid during the year for income taxes		-	-

See accompanying notes to these financial statements.

## **Ophir Gold Corp.**

*(formerly Minkap Resources Inc.)*

Notes to the Financial Statements

For the Years Ended May 31, 2021 and 2020

(Expressed in Canadian Dollars)

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

Ophir Gold Corp. (the “Company” or “Ophir”), (formerly MinKap Resources Inc.) was incorporated under the Business Corporations Act in British Columbia on April 26, 2010. The head office, principal address and records office of the Company are located at 595 Howe Street, Suite 206, Vancouver, BC V6C 2T5. The Company’s registered address is 700 West Georgia Street, 25th Floor, Vancouver, British Columbia, V7Y 1B3.

On April 23, 2019, the Company changed its name from Kapuskasing Gold Corp. to MinKap Resources Inc. On October 9, 2020, the Company further changed its name from MinKap Resources Inc. to Ophir Gold Corp.

On June 8, 2021, Ophir Gold (USA) Corp., a wholly-owned subsidiary of the Company, was incorporated under the laws of Idaho.

#### **Going Concern**

The Company’s principal business activities include the acquisition and exploration of mineral property assets. At of May 31, 2021, the Company had not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for an exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and future profitable production from the properties or realizing proceeds from their disposition.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The Company’s ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and/or meet other commitments (Note 5).

The Company has an accumulated deficit of \$6,903,258 as at May 31, 2021 (May 31, 2020 – \$5,796,033). The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

As at May 31, 2021, the Company’s current cash resources are insufficient to cover the expected expenditures in fiscal 2022. The Company’s ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

During the years ended May 31, 2021 and 2020, the Company reported a net loss of \$1,107,225 and \$237,471, respectively. Historically, the Company has recognized recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Company’s ability to continue as a going concern.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

**Ophir Gold Corp.**

*(formerly Minkap Resources Inc.)*

Notes to the Financial Statements

For the Years Ended May 31, 2021 and 2020

(Expressed in Canadian Dollars)

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**1. NATURE OF BUSINESS AND GOING CONCERN (CONTINUED)**

**COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn.

The Company could be adversely impacted by the effects of the coronavirus. The extent to which the coronavirus impacts the Company, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the outbreak and the actions taken to contain or treat the coronavirus outbreak. The continued spread of the coronavirus globally could materially and adversely impact the Company's operations, and the operations of its suppliers, contractors and service providers and the ability to obtain financing. To date, the Company has not had any adverse effects from the coronavirus.

**2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION**

**Statement of compliance to International Financial Reporting Standards**

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

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

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

These financial statements were authorized for issuance by the Board of Directors of the Company on September 28, 2021.

**Basis of preparation**

These financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value and have been prepared using the accrual basis of accounting except for cash flow information, as explained in the accounting policies set out below.

**Functional currency and presentation currency**

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

## 2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

### Significant management judgment and estimates in applying accounting policies

- **Critical accounting estimates**

#### **Carrying value and recoverability of exploration and evaluation assets**

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

#### **Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### **Income taxes and recoverability of potential deferred tax assets**

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

## **2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)**

### **Significant management judgment and estimates in applying accounting policies**

- **Critical accounting judgments**

Critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

**Determination of going concern (Note 1)**

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

**Determination of functional currency**

In accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates”, management determined that the functional currency of the Company is the Canadian dollar as this is the currency of the primary economic environment in which the Company operates.

**Ownership and control of property**

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

### **Exploration and evaluation assets**

- **Pre-license expenditures**

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

- **Exploration and evaluation expenditures**

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such exploration and evaluation costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. Exploration and evaluation costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and or probable mineral reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, exploration and evaluation assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

The Company has not established any National Instrument (“NI”) 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

## **Ophir Gold Corp.**

*(formerly Minkap Resources Inc.)*

Notes to the Financial Statements

For the Years Ended May 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## **2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)**

### **Exploration and evaluation assets (continued)**

- **Option-out agreements**

Option-out agreements are accounted for as farm-out arrangements. The Company, as the farmor, does not record any expenditures made by the optionee on its behalf, does not recognize any gain or loss on the option-out arrangement, but rather re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained, any cash consideration received is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the Company as a gain on disposal.

- **Impairment**

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. 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 asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditures or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

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, but to an amount that 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. A reversal of an impairment loss is recognized immediately in profit or loss.

### **Cash**

Cash in the statements of financial position is comprised of cash held at major financial institutions. The Company's cash is invested in business accounts which are available on demand by the Company.

**Ophir Gold Corp.**

*(formerly Minkap Resources Inc.)*

Notes to the Financial Statements

For the Years Ended May 31, 2021 and 2020

(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)**

**Restoration, Rehabilitation, and Environmental Obligations**

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

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no restoration, rehabilitation and environmental obligations as at May 31, 2021 and 2020.

**Share Capital**

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax.

The Company has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placement units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Company considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components (net of any flow-through share premium), with the fair value attributed to the warrants being recorded as contributed surplus.

**Flow-through shares**

Where a portion of the Company's exploration activities is financed by flow-through share arrangements, under the terms of flow-through share agreements, the tax deductions of the related Canadian exploration expenditures ("CEE") are renounced in favour of the investors. Accordingly, flow-through proceeds are allocated between the offering of the common shares and the premium associated with the sale of tax benefits of the common shares at the date of issuance. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and reversed in the statements of operations and comprehensive loss as a deferred income tax recovery ("other income") as the Company spends the flow-through proceeds.

**Ophir Gold Corp.**

*(formerly Minkap Resources Inc.)*

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**2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)**

**Share-Based payments**

Options and stand-alone warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

Options and warrants granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. The Company uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Options and warrants granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

**Earnings (loss) per share ("EPS")**

Basic EPS amounts are calculated by dividing net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted EPS amounts are calculated with consideration given to stock options and warrants, and assumes that any proceeds received on exercise of options or warrants would be used to purchase common shares at the average market price during the period.

Diluted EPS does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Income Taxes**

Income tax on the profit or loss for the periods presented comprises current and deferred taxes. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income/loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the asset and liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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## 2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

### Income Taxes (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

### Financial instruments

- **Financial assets**

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") and at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets and collect contractual cash flows, its contractual terms give rise on specified dates that are solely payments of principle and interest on the principle amount outstanding, and it is not designated as FVTPL. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, the Company can make an irrevocable election (on an instrument by-instrument basis) on the day of acquisition to designate them as at FVTOCI.

#### Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the statement of loss and comprehensive loss in the period in which they arise. The Company's marketable securities, being equity securities of other listed entities, are classified as FVTPL.

#### Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. None of the Company's financial assets are classified as FVTOCI.

#### Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date. The Company's financial assets at amortized cost comprise cash and cash equivalents and receivables.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the statement of loss and comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

- **Financial liabilities**

The Company classifies its financial liabilities as subsequently measured at amortized cost which include trade and other payables. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or they expire.

## 2. SIGNIFICANT ACCOUNTING STANDARDS AND BASIS OF PREPARATION (CONTINUED)

- **Impairment of financial assets**

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized. Given the nature and balances of the Company's receivables the Company has no material loss allowance as at May 31, 2021 and 2020.

### **New accounting standards**

There were no new or amended IFRS pronouncements effective June 1, 2021 that impacted these financial statements.

## 3. MARKETABLE SECURITIES

### **As at May 31, 2021**

	Number of shares	Closing market price \$	Fair value \$
Ubique Minerals Ltd.	1,200,000	0.050	60,000

### **As at May 31, 2020**

	Number of shares	Closing market price \$	Fair value \$
Ubique Minerals Ltd.	1,000,000	0.010	10,000

### **Ubique Minerals Ltd. ("Ubique")**

During the year ended May 31, 2021, the Company received 200,000 shares (the "Ubique Shares") (May 31, 2020 – 500,000 shares) of Ubique Minerals Ltd. with a fair value of \$12,000 (May 31, 2020 – \$32,500) pursuant to the option agreement with Ubique Minerals Ltd. (Note 5).

In respect to the fair value of the Ubique Shares, the Company recognized \$12,000 as a recovery of exploration and evaluation assets in the statement of loss and comprehensive loss during the year ended May 31, 2021 (May 31, 2020 – \$32,500).

As at May 31, 2021, the Company recognized \$60,000 (May 31, 2020 – \$10,000) as the fair value of the 1,200,000 Ubique Shares (May 31, 2020 – 1,000,000 Ubique Shares). The increase in fair value of \$38,000 for the years ended May 31, 2021 (May 31, 2020 – decrease in fair value of \$7,500) is recognized as fair value gain (loss) on marketable securities.

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### 4. RECLAMATION DEPOSIT

The Company has reclamation deposits of \$65,784 (US\$54,500). These bonds were put up as collateral for the Breccia project in the event of future operations (May 31, 2020 – \$nil).

### 5. EXPLORATION AND EVALUATION ASSETS

	Breccia Property
	\$
<b>Balance as of May 31, 2020</b>	-
<b>Acquisition costs</b>	
- cash	25,000
- shares	398,750
- warrants	284,475
	<b>708,225</b>
<b>Staking fees</b>	<b>94,600</b>
<b>Expenditures</b>	
Assay and analysis	22,100
Consulting	180,001
Field	119,251
Permits	2,590
Technical studies	31,534
	<b>355,476</b>
<b>Balance as of May 31, 2021</b>	<b>1,158,301</b>

#### **Breccia property, Idaho**

On September 15, 2020 (the “BG Acquisition Date”), the Company entered into agreements for the acquisition of the Breccia Gold property (the “Breccia Gold Property”) and the contiguous Lightning Tree property (the “Lightning Tree Property”) and together with the Breccia Gold Property, the “BG Properties”), both of which are located in Lemhi County, Idaho, USA (the “BG Transaction”).

The BG Transaction is being carried out in accordance with the terms of an arm’s-length definitive mineral property acquisition agreement (the “BG Purchase Agreement”) dated September 10, 2020, between the Company, DG Resource Management Ltd. (“DGRM”) and Canagold Resource Ltd. (formerly Canarc Resource Corp.) (“Canagold” and together with DGRM, the “BG Vendors”).

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**5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**Breccia property, Idaho (continued)**

Pursuant to the BG Purchase Agreement, as consideration for acquiring a 100% interest and title in and to the BG Properties, the Company will make the following payments:

- **Payment to be made in common shares of the Company**
  - issue an aggregate of 1,250,000 common shares of the Company to each of the BG Vendors within 5 days of the BG Acquisition Date (total 2,500,000 common shares were issued with fair value of \$362,500) (Note 6).
  - issue an aggregate of 1,250,000 common shares of the Company to each of the BG Vendors on or before September 15, 2021 (total 2,500,000 common shares were issued subsequent to May 31, 2021).
- **Payment to be made in common share purchase warrants of the Company**
  - issue an aggregate of 1,250,000 common share purchase warrants of the Company to each of the BG Vendors within 5 days of the BG Acquisition Date (total 2,500,000 share purchase warrants were issued with fair value of \$284,475) (Note 6).
  - issue an aggregate of 1,250,000 common share purchase warrants of the Company to each of the BG Vendors on or before September 15, 2021. The exercise price of the common share purchase warrants will be determined at a 20-day volume-weighted average price ("VWAP") calculated on September 15, 2021 (total 2,500,000 share purchase warrants were issued subsequent to May 31, 2021).
- **Cash Payment**

A total of \$137,500 payable to each of the BG Vendors as follows:

  - On September 15, 2020: \$12,500 (a total cash payment of \$25,000 was paid)
  - On September 15, 2021: \$25,000 (a total cash payment of \$25,000 was subsequent to May 31, 2021)
  - On September 15, 2022: \$50,000
  - On September 15, 2023: \$50,000
- **Net Smelter Royalty ("NSR")**
  - grant DGRM a 2.5% NSR in respect of the Breccia Gold Property, subject to the right and option of the Company to purchase 1% of the Breccia NSR for a price equal to \$1,000,000.
  - grant Canagold a 2.5% NSR in respect of the Lightning Tree Property, subject to the right and option of the Company to purchase 1% of the Lightning Tree NSR for a price equal to \$1,000,000.

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### **5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

#### **Breccia property, Idaho (continued)**

In addition, pursuant to the BG Purchase Agreement, commencing on the date the Company receives an exploration drill permit (the "BG Permit Date") in respect of the BG Properties, the Company is required to incur aggregate exploration expenditures of at least \$4,000,000 (the "BG Exploration Expenditures") in connection with the BG Properties (being the aggregate of incurring at least \$2,000,000 with respect to each of the Lightning Tree Property and the Breccia Gold Property, respectively), provided that not less than \$4,000,000 of such BG Exploration Expenditures shall be incurred in connection with the BG Property within the three years of the BG Permit Date, such BG Exploration Expenditures to be made as follows:

- (i) cumulative BG Exploration Expenditures of \$300,000 within one year from the BG Permit Date (with 50% of such amount to be spent of each of the Breccia Gold Property and the Lightning Tree Property);
- (ii) cumulative BG Exploration Expenditures of at least \$2,000,000 within two years from the BG Permit Date (with 50% of such amount to be spent of each of the Breccia Gold Property and the Lightning Tree Property); and
- (iii) cumulative BG Exploration Expenditures of at least \$4,000,000 within three years from the BG Permit Date (with 50% of such amount to be spent of each of the Breccia Gold Property and the Lightning Tree Property).

In addition, pursuant to the terms of the BG Purchase Agreement, the Company has agreed to grant to DGRM and Canagold, together, a one-time bonus payment (the "BG Bonus Payment") of \$1.00 per ounce of gold or gold equivalent, up to a maximum of \$1,000,000, upon the SEDAR filing of a resource of 1,000,000 ounces gold or gold equivalent that is compliant with NI 43-101 - Standards of Disclosure for Mineral Projects within Canada. The BG Bonus Payment is payable to DGRM and Canagold on a pro rata basis based on the number of ounces of gold or gold equivalent from each of their respective claims relative to the 1,000,000 ounces as defined in the NI 43-101 technical report to be prepared in respect of the BG Properties.

In connection with the BG Transaction, the Company issued 250,000 common shares (issued) with fair value of \$36,250 as finders' fees (Note 6).

#### **Daniels Harbour Property**

On September 14, 2017, the Company executed the option agreement (the "DH Agreement") to earn a 100% interest in the Daniels Harbour Zinc Property (the "Daniels Harbour Property") located on the Great Northern Peninsula of Newfoundland, approximately 10 km's northeast of the community of Daniels Harbour. Pursuant to the Agreement, the Company may earn a 100% interest in the Daniels Harbour Property for total consideration of 291,667 common shares of the Company (issued), \$60,000 in cash payments (\$25,000 was paid) and a work commitment of \$100,000 within the 24 months following TSX-V approval. The vendor of the Daniels Harbour Property (the "DH Vendor") shall retain a 3% NSR interest. The Company retains the option to buy back 2% of the NSR for \$2,000,000. In the event the Company delineates a 43-101 compliant resource of 5,000,000 tonnes of ore grade zinc (Grade of at least 7% Zn), the DH Vendor will receive a one-time bonus payment equating to \$50,000 payable in cash or shares at the election of the Company on the day of which said report is filed on SEDAR.

On February 8, 2018, the Company executed the asset purchase agreement (the "DH APA") for a 100% interest in the DH Unity Claims consisting of 30 claims (750 hectares) in the Daniels Harbour area (the "DH Unity Claims Property"), situated nearby the Daniels Harbour Property. Pursuant to the DH APA, the Company may purchase a 100% interest in the DH Unity Claims Property for total consideration of 50,000 shares (issued), and a \$1,950 in cash payment (paid).

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### 5. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

#### **Daniels Harbour Property (continued)**

On February 14, 2019, the Company executed the option agreement (the “Ubique Agreement”) with Ubique. The Ubique Agreement was amended on March 22, 2021 (the “Amended Ubique Agreement”). According to the Amended Ubique Agreement, Ubique has an option to earn up to a 70% interest in the Daniels Harbour Property (the “DH Optioned Property”) by making the following work and payment commitments (the “DH Payments”):

- |        |                                  |  |
|--------|----------------------------------|--|
| (i)    | On February 14, 2019:            | \$10,000 cash (received) and 500,000 Ubique Shares (received);   |
| (ii)   | On or before March 9: 2019:      | incur a minimum of \$12,000 of work expenditures (incurred) and file an assessment report;   |
| (iii)  | On or before September 15, 2019: | incur a minimum of \$100,000 of work expenditures which included the \$12,000 of work expenditures in (ii) (incurred) and file an assessment report;   |
| (iv)   | On or before February 14, 2020:  | \$10,000 cash (received) and 500,000 Ubique Shares (received);   |
| (v)    | On or before February 28, 2020:  | incur a minimum of \$200,000 of work expenditures (incurred);  |
| (vi)   | On or before February 14, 2021:  | 200,000 Ubique Shares (received);  |
| (vii)  | On or before February 28, 2021:  | incur a minimum of \$137,290 of work expenditures, which include any payment and commitments required to be made to the underlying vendors of the DH Optioned Property (the “DH Underlying Vendors”) (incurred); |
| (viii) | On or before September 1, 2021:  | make a cash payment of \$40,000 to the DH Underlying Vendors (paid subsequent to May 31, 2021);  |
| (ix)   | On or before February 28, 2022:  | incur a minimum of \$362,710 of work expenditures; and   |
| (x)    | On or before February 12, 2024:  | incur a minimum of \$400,000 of work expenditures.   |

Upon Ubique having made the DH Payments, Ubique will have earned a 55% interest in the DH Optioned Property. Ubique will have earned an additional 15% interest in the DH Optioned Property by incurring an additional \$400,000 of work expenditures on or before February 28, 2025.

Upon Ubique earning either a 55% or 70% interest in the DH Optioned Property, the Company and Ubique will form a joint venture to continue the exploration work on the DH Optioned Property. The Company may elect to grant Ubique the right to earn an additional 5% interest in the DH Optioned Property for every additional \$100,000 of work expenditures in the DH Optioned Property to a limit of 95% interest in the DH Optioned Property. Once Ubique earns a 95% interest in the DH Optioned Property, the Company may convert its remaining 5% interest to a 2% NSR. Ubique will then have the right to buy back 1.75% of the NSR from the Company for \$2,000,000. The DH Underlying Vendors entitles a 3% NSR of which 2% NSR may be repurchased for \$2,000,000. In addition, in the event that Ubique delineates a NI 43-101 compliant resource of a minimum of 5,000,000 tons of ore with a grade of at least 7% zinc, the DH Underlying Vendors entitle to a bonus payment.

## 6. SHARE CAPITAL

### **Authorized share capital**

Unlimited number of common shares without par value.

### **Issued share capital**

At May 31, 2021, the Company had 49,716,129 (May 31, 2020 – 17,629,599) common shares issued and outstanding with a value of \$6,397,438 (May 31, 2020 – \$4,255,443).

### **During the year ended May 31, 2021**

- On September 18, 2020, the Company completed a private placement of 9,999,998 units for gross proceeds of \$750,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.15 per share until September 28, 2022.

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.24%, an expected life of 2 years, an expected volatility of 150% and an expected dividend yield of 0%, which totaled \$300,000, and recorded this value in contributed surplus. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares.

The remaining balance of \$450,000 was recorded as common shares.

- As discussed in Note 5, the Company issued 2,750,000 common shares with fair value of \$398,750 pursuant to the BG Purchase Agreement.
- On December 17, 2020, the Company completed a private placement of 18,336,532 units for gross proceeds of \$2,750,480. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.22 per share until December 17, 2022.

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.24%, an expected life of 2 years, an expected volatility of 156% and an expected dividend yield of 0%, which totaled \$1,191,875, and recorded this value in contributed surplus. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares.

The remaining balance of \$1,558,605 was recorded as common shares.

In connection with the private placement, the Company paid cash commission of \$55,650 (the "Commission") and issued 474,417 finders' warrants (each a "Finder Warrant"). In addition, the Company paid \$51,450 (the "Advisory Fees") and issued 343,000 advisory warrants (each an "Advisory Warrant") for the financial advisory services provided for the private placement. Each Finder Warrants and Advisory Warrant entitles the holder to acquire one additional common share at an exercise price of \$0.15 per share until December 17, 2022.

The Company estimated the fair value of finders' warrants and advisory warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.24%, an expected life of 2 years, an expected volatility of 156% and an expected dividend yield of 0%, which totaled \$177,494, and recorded these values as share issuance costs.

## 6. SHARE CAPITAL (CONTINUED)

### Issued share capital (continued)

#### During the year ended May 31, 2021 (continued)

- 1,000,000 warrants were exercised for proceeds of \$100,000. In addition, the Company reclassified the grant date fair value of the exercised warrants of \$13,286 from contributed surplus to share capital.
- In addition to the Commission and Advisory Fees above, the Company paid an additional \$94,052 in share issuance costs for the above share capital transactions, for total cash finders' fees of \$201,152.

#### During the year ended May 31, 2020

- On October 11, 2019, the Company completed a private placement of 7,000,000 units for gross proceeds of \$350,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.10 per share for a period of 24 months from the date of closing. The private placement was completed in two tranches. In connection with the private placement, the Company paid \$13,000 in share issue costs.

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.60%, an expected life of 2 years, an expected volatility of 100% and an expected dividend yield of 0%, which totaled \$93,000, and recorded this value in contributed surplus. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares.

The remaining balance of \$257,000 was recorded as common shares.

#### Subsequent to the year ended May 31, 2021

- As discussed in Note 5, the Company issued 2,500,000 common shares pursuant to the BG Purchase Agreement.

### Warrants

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

	May 31, 2021		May 31, 2020	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of year	7,708,333	0.12	1,908,889	0.49
Issued	31,653,947	0.19	7,000,000	0.10
Exercised	(1,000,000)	0.10	-	-
Expired	(708,333)	0.30	(1,200,556)	0.60
<b>Balance, end of year</b>	<b>37,653,947</b>	<b>0.17</b>	<b>7,708,333</b>	<b>0.12</b>

## 6. SHARE CAPITAL (CONTINUED)

### Warrants (continued)

#### During the year ended May 31, 2021

- As discussed in Note 5, the Company issued 2,500,000 warrants with fair value of \$284,475 pursuant to the BG Purchase Agreement. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.095 per share until September 23, 2023.

The Company estimated the fair value of the warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.23%, an expected life of 3 years, an expected volatility of 139% and an expected dividend yield of 0%.

- 708,333 warrants expired unexercised.

#### During the year ended May 31, 2020

- 1,200,556 warrants expired unexercised.

The following summarizes information about warrants outstanding at May 31, 2021:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Warrants outstanding</b>	<b>Estimated grant date fair value (\$)</b>	<b>Weighted average remaining contractual life (in years)</b>
September 17, 2021	0.10	4,200,000	55,801	0.30
October 10, 2021	0.10	1,800,000	23,915	0.36
September 18, 2022	0.15	9,999,998	300,000	1.30
December 17, 2022	0.15	817,417	177,494	1.55
December 17, 2022	0.22	18,336,532	1,191,876	1.55
September 23, 2023	0.10	2,500,000	284,476	2.32
		<b>37,653,947</b>	<b>2,033,562</b>	<b>1.34</b>

#### Subsequent to May 31, 2021

- 5,000,000 warrants (4,200,000 warrants with an expiry date of September 17, 2021, 600,000 warrants with an expiry date of October 10, 2021 and 200,000 warrants with an expiry date of September 18, 2022) were exercised for proceeds of \$510,000 of which \$50,000 was received in advance during the year ended May 31, 2021.
- As discussed in Note 5, the Company issued 2,500,000 warrants pursuant to the BG Purchase Agreement. Each warrant entitles the holder to acquire one additional common share at an exercise price of \$0.155 per share until September 9, 2024.

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**6. SHARE CAPITAL (CONTINUED)****Stock options**

Under the Company's stock option plan, the Board of Directors may grant options for the purchase of up to a total of 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan may vest over a period of time at the discretion of the board of directors. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant. The changes in options during the years ended May 31, 2021 and 2020 is as follows:

	May 31, 2021		May 31, 2020	
	Number outstanding	Weighted average exercise price (\$)	Number outstanding	Weighted average exercise price (\$)
Balance, beginning of year	699,999	0.30	866,666	0.36
Granted	2,650,000	0.21	-	-
Cancelled	(416,665)	0.30	-	-
Expired	-	-	(166,667)	0.60
Balance, end of year	2,933,334	0.22	699,999	0.30

**During the year ended May 31, 2021**

- On December 2, 2020, the Company granted 2,150,000 options with an exercise price of \$0.19 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- On January 5, 2021, the Company granted 500,000 options with an exercise price of \$0.28 to its officers and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- On April 28, 2021, the Company modified the expiry date of 230,000 options which were originally to expire on December 2, 2025, to April 30, 2022.
- 416,665 options were cancelled.

## 6. SHARE CAPITAL (CONTINUED)

### Stock options (continued)

#### During the year ended May 31, 2020

- 166,667 options expired unexercised.

The estimated grant date fair value of the options granted during the years ended May 31, 2021 and 2020 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the year ended	
	May 31, 2021	May 31, 2020
Number of options granted	2,650,000	N/A
Risk-free interest rate	0.39%	N/A
Expected annual volatility	134%	N/A
Expected life (in years)	5.00	N/A
Expected dividend yield	0%	N/A
Grant date fair value per option (\$)	0.18	N/A
Share price at grant date (\$)	0.21	N/A

During the years ended May 31, 2021 and 2020, the Company recognized share-based payments expense of \$483,828 and \$nil, respectively.

The following summarizes information about stock options outstanding and exercisable at May 31, 2021:

Expiry date	Exercise price (\$)	Options outstanding	Options exercisable	Weighted average remaining contractual life (in years)
July 20, 2021	0.30	75,000	75,000	0.14
April 30, 2022	0.19	230,000	230,000	0.92
October 12, 2022	0.30	208,334	208,334	1.37
December 2, 2025	0.19	1,920,000	1,920,000	4.51
January 5, 2026	0.28	500,000	500,000	4.60
		<b>2,933,334</b>	<b>2,933,334</b>	<b>3.91</b>
<b>Weighted average exercise price (\$)</b>		<b>0.22</b>	<b>0.21</b>	

As at May 31, 2021, the Company had 2,038,279 (May 31, 2020 – 1,062,960) options available for issuance.

#### Subsequent to May 31, 2021

- On June 2, 2021, the Company granted 845,000 options with an exercise price of \$0.21 to certain officers, directors and consultants. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- 226,667 options expired unexercised.

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**6. SHARE CAPITAL (CONTINUED)****Loss per share**

The calculation of basic and diluted loss per share for the year ended May 31, 2021 is based on the net loss attributable to common shareholders of \$1,107,225 (May 31, 2020 – \$237,471) and a weighted average number of common shares outstanding during the year ended May 31, 2021 of 35,469,363 (May 31, 2020 – 15,424,681).

In computing the diluted loss per share, warrants and options are not included as the impact would be antidilutive.

**7. RELATED PARTY TRANSACTIONS AND BALANCES****Related party transactions**

The Company's related parties as defined by IAS 24, Related Party Disclosures, include the following directors, executive officers, key management personnel, and enterprises which are controlled by these individuals:

<b>Related Party</b>	<b>Relationship</b>
Shawn Westcott	Chief Executive Officer (CEO)
Paul Robertson	Chief Financial Officer (CFO)
Jonathan Bey, Chairman	Chairman
Garry Clark, Director	Director
Darren Smith	Vice-President of Exploration and Director
Jonathan Armes	Former President and Director
Marco Guidi	Former CFO
Quantum Advisory Partners LLP	A partnership in which Mr. Robertson is a partner
Steel Rose Capital	A private company in which Mr. Bey is the President, CEO and Director
Clark Exploration Consulting Inc.	A private company in which Mr. Clark is a principal
ITCA Consulting Inc.	A private company in which Mr. Guidi is a principal

The Company considered the executive officers and directors as the key management of the Company.

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**7. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)****Related party transactions (continued)**

The following table discloses the total compensation incurred to the Company's key management personnel during the years ended May 31, 2021 and 2020:

	For the year ended	
	May 31, 2021	May 31, 2020
	\$	\$
<b>Shawn Westcott, CEO</b>		
Consulting fees	108,750	-
Share-based payments	84,044	-
	192,794	-
<b>Paul Robertson, CFO</b>		
Professional fees <sup>(1)</sup>	30,050	-
Share-based payments	61,220	-
	91,270	-
<b>Jonathan Bey, Chairman</b>		
Consulting fees <sup>(2)</sup>	32,000	-
Share issuance costs	15,000	-
Share-based payments	73,118	-
	120,118	-
<b>Garry Clark, Director</b>		
Consulting fees <sup>(3)</sup>	13,164	-
Share-based payments	54,629	-
	67,793	-
<b>Darren Smith, Director, VP of Exploration</b>		
Consulting fees	24,724	-
Share-based payments	46,224	-
	70,948	-
<b>Jonathan Armes, Former President &amp; Director</b>		
Consulting fees	74,000	74,000
Share-based payments	38,660	-
	112,660	74,000
<b>Marco Guidi, former CFO</b>		
Consulting fees <sup>(4)</sup>	23,000	24,000
Share-based payments	18,490	-
	41,490	24,000
<b>Total</b>	<b>697,073</b>	<b>98,000</b>

(1) Paid to Quantum Advisory Partners LLP

(2) Paid to Steel Rose Capital

(3) Paid to Clark Exploration Consulting Inc.

(4) Paid to ITCA Consulting Inc.

**Related party balances**

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were \$75,766 as at May 31, 2021 (May 31, 2020 – \$104,000). These amounts are unsecured, non-interest bearing and payable on demand.

## **8. COMMITMENT**

The Company is obligated to make certain payments and issue shares as described in Note 5 in connection with the acquisition and continued exploration of its exploration and evaluation assets.

## **9. SEGMENTED INFORMATION**

The Company operates in one reportable segment, being the exploration and development of exploration and evaluation assets. All of the Company's exploration and evaluation assets are located in United States.

## **10. CAPITAL MANAGEMENT**

The Company considers its capital to be all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended May 31, 2021. The Company is not subject to externally imposed capital restrictions.

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**11. FINANCIAL INSTRUMENTS****Fair value**

Financial instruments are classified into one of the following categories: FVTPL, amortized cost and FVTOCI.

Set out below are the Company's financial assets and liabilities by category:

	May 31, 2021			
	\$	FVTPL	Amortized costs	FVTOCI
		\$	\$	\$
<b>Financial assets:</b>				
<b>ASSETS</b>				
Cash	2,153,560	2,153,560	-	-
Marketable securities	60,000	60,000	-	-
Amounts receivable	8,449	-	8,449	-
Reclamation deposits	65,784	-	65,784	-
<b>Financial liabilities:</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	133,121	-	133,121	-

  

	May 31, 2020			
	\$	FVTPL	Amortized costs	FVTOCI
		\$	\$	\$
<b>Financial assets:</b>				
<b>ASSETS</b>				
Cash	209,519	209,519	-	-
Marketable securities	10,000	10,000	-	-
Amounts receivable	10,880	-	10,880	-
<b>Financial liabilities:</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	202,131	-	202,131	-

The carrying values of amounts receivable, reclamation deposits, accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

IFRS 13 establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1: Unadjusted 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 liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

As at May 31, 2021 and 2020, the financial instrument recorded at fair value on the statements of financial position is cash and marketable securities which is measured using Level 1 of the fair value hierarchy. As at May 31, 2021 and 2020, there were no financial assets or liabilities measured and recognized in the statement of financial position at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

## **11. FINANCIAL INSTRUMENTS (CONTINUED)**

### **Financial risk management**

#### *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk includes cash and amounts receivable.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investments in asset-backed commercial paper.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Management believes that the credit risk concentration with respect to these financial instruments is remote. Cash and cash equivalents based in Canada are accessible. The Company's amounts receivable balance does not represent significant credit exposure as it is principally due from the Government of Canada.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company maintained sufficient cash as at May 31, 2021 in the amount of \$2,153,560, in order to meet short-term business requirements. At May 31, 2021, the Company had accounts payable and accrued liabilities of \$133,121. All accounts payable and accrued liabilities are current.

#### *Market risk*

The significant market risks to which the Company is exposed are interest rate risk, currency risk, other price risk, and commodity price risk.

- *Interest rate risk*

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of May 31, 2021.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on cash outstanding as of May 31, 2021 would result in an approximately \$21,500 change to the Company's loss for the year ended May 31, 2021.

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**11. FINANCIAL INSTRUMENTS (CONTINUED)****Financial risk management (continued)**

- Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash, amounts receivable, reclamation deposits, accounts payable and accrued liabilities and long-term investment are held in Canadian Dollars ("CAD") and US Dollars ("USD"); therefore, USD accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in foreign currency as at May 31, 2021:

	CA\$	US\$
Cash	415,610	1,439,838
Marketable securities	60,000	-
Amounts receivable	8,449	-
Reclamation deposits	-	54,500
Accounts payable and accrued liabilities	(93,559)	(32,776)
	<b>390,500</b>	<b>1,461,562</b>
Rate to convert to \$1.00 CAD	1.00000	1.20705
<b>Equivalent to CAD</b>	<b>390,500</b>	<b>1,764,173</b>

Based on the above net exposures as at May 31, 2021, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD would increase/decrease comprehensive loss by \$176,000.

- Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk.

As of May 31, 2021, the Company held 1,200,000 Ubique Shares. Ubique Minerals Ltd. is publicly traded on the Canadian Securities Exchange. A 10% change in share price of Ubique Shares at May 31, 2021 would result in a \$6,000 change to the Company's comprehensive loss for the year ended May 31, 2021.

Other than this, the Company is not exposed to significant other price risk.

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**11. FINANCIAL INSTRUMENTS (CONTINUED)****Financial risk management (continued)**• **Commodity risk**

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. The Company is not exposed to significant other price risk.

**12. INCOME TAXES**

A reconciliation of income taxes at statutory rates (26.5% for both years presented) with the reported taxes is as follows:

	May 31, 2021	May 31, 2020
	\$	\$
Loss for the year	(1,107,225)	(237,471)
Expected income tax (recovery)	(299,000)	(63,000)
Change in statutory, foreign tax, foreign exchange rates and other	(8,000)	-
Permanent differences	136,000	6,000
Share issuance costs	(54,000)	(3,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	-	6,000
Change in unrecognized deductible temporary differences	225,000	54,000
	-	-

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

	May 31, 2021	May 31, 2020
	\$	\$
<b>Deferred tax assets (liabilities)</b>		
Exploration and evaluation assets	495,000	490,000
Share issue costs	46,000	3,000
Marketable securities	10,000	15,000
Non-capital losses	870,000	688,000
	1,421,000	1,196,000
Unrecognized deferred tax assets	(1,421,000)	(1,196,000)
Net deferred tax assets	-	-

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**12. INCOME TAXES (CONTINUED)**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	<b>May 31, 2021</b>		<b>May 31, 2020</b>	
	<b>\$</b>	<b>Expiry Range</b>	<b>\$</b>	<b>Expiry Range</b>
<b>Temporary Differences</b>				
Exploration and evaluation assets	1,834,000	No expiry date	1,851,000	No expiry date
Share issue costs	169,000	2041 to 2045	10,000	2041 to 2044
Marketable securities	75,000	No expiry date	113,000	No expiry date
Non-capital losses available for future period	3,223,000	2030 to 2041	2,595,000	2030 to 2040

Tax attributes are subject to review, and potential adjustment, by tax authorities.