



Beauce Gold Fields Inc.

Financial Statements As at July 31, 2021 and 2020

(In Canadian dollars)

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Independent Auditor's Report

**Raymond Chabot
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To the Shareholders of
Beauce Gold Fields Inc.

Opinion

We have audited the financial statements of Beauce Gold Fields Inc. (hereafter "the Company"), which comprise the statements of financial position as at July 31, 2021 and 2020, the statements of net loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at July 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 audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, 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 2 to the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (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 Carole Lepage.

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Raymond Chabot Grant Thornton LLP

Rouyn-Noranda
November 22, 2021

¹ CPA auditor, CA public accountancy permit no. A119351

Beauce Gold Fields Inc.

Statements of Financial Position

As at July 31, 2021 and 2020
(in Canadian dollars)

	Notes	July 31, 2021 \$	July 31, 2020 \$
ASSETS			
Current			
Cash	6	1,075,137	313,267
Goods and services tax receivable		94,339	14,821
Advance for exploration and evaluation expenses		60,000	-
Prepaid expenses		5,805	4,895
		<u>1,235,281</u>	<u>332,983</u>
Non-current			
Exploration and evaluation assets	7	2,674,762	1,743,362
Property and equipment	8	10,625	-
		<u>2,685,387</u>	<u>1,743,362</u>
Total assets		<u>3,920,668</u>	<u>2,076,345</u>
LIABILITIES			
Current			
Trade and other payables	9	200,292	239,357
Royalties payable	7	-	48,411
Liability related to flow-through shares		41,799	-
Note payable	10	-	180,000
		<u>242,091</u>	<u>467,768</u>
Non-current			
Royalties payable	7	198,398	168,134
Total liabilities		<u>440,489</u>	<u>635,902</u>
EQUITY			
Share capital	11	5,027,947	2,329,453
Contributed surplus		667,739	325,046
Retained deficit		(2,215,507)	(1,214,056)
Total equity		<u>3,480,179</u>	<u>1,440,443</u>
Total liabilities and equity		<u>3,920,668</u>	<u>2,076,345</u>

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

These financial statements were approved and authorized for issue by the Board of Directors on November 22, 2021.

ON BEHALF OF THE BOARD

(s) Patrick Levasseur _____, Director

(s) Bernard J. Tourillon _____, Director

Beauce Gold Fields Inc.

Statements of Comprehensive Loss

As at July 31, 2021 and 2020
(in Canadian dollars)

	Notes	2021 \$	2020 \$
Expenses			
Salaries and employee benefits expense	12.1	370,931	221,563
Professional fees (1)		233,326	108,493
Traveling expenses		28,001	46,012
Business development (2)		102,381	94,110
Advertising fees		58,097	48,978
Information to shareholders and registration fees		50,661	38,750
Office expenses		48,464	37,949
Bank charges		1,739	1,912
Write-off of exploration and evaluation assets	7	19,918	5,000
Operating loss		<u>913,518</u>	<u>602,767</u>
Other charges			
Change in fair value of royalties payable		31,853	31,443
Interests on the note payable		3,468	33,217
Part XII.6 tax		115	2,324
		<u>35,436</u>	<u>66,984</u>
Loss before income taxes		<u>(948,954)</u>	<u>(669,751)</u>
Deferred income taxes	15	(102,959)	-
Net loss and total comprehensive loss of the year		<u>(845,995)</u>	<u>(669,751)</u>
Loss per share			
Basic and diluted net loss per share	14	<u>(0.02)</u>	<u>(0.03)</u>

(1) Including share-based payments of \$23,787 in 2021

(2) Including share-based payments of \$3,756 in 2021

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

Beauce Gold Fields Inc.

Statements of Changes in Equity

As at July 31, 2021 and 2020
(in Canadian dollars)

	Notes	Share capital \$	Contributed surplus \$	Retained deficit \$	Total equity \$
Balance as at August 1st, 2019		1,695,103	319,549	(524,802)	1,489,850
Units issued by private placements	11.1	618,750	-	-	618,750
Units issued by flow-through private placements	11.1	15,600	2,400	-	18,000
Expiration of warrants	11.2	-	(2,461)	2,461	-
Issuance cost of units		-	5,558	(21,964)	(16,406)
		<u>634,350</u>	<u>5,497</u>	<u>(19,503)</u>	<u>620,344</u>
Net loss and total comprehensive loss for the period		-	-	(669,751)	(669,751)
Balance as at July 31, 2020		<u>2,329,453</u>	<u>325,046</u>	<u>(1,214,056)</u>	<u>1,440,443</u>
Units issued by private placements	11.1	1,415,802	-	-	1,415,802
Units issued by flow-through private placements	11.1	876,515	178,727	-	1,055,242
Issuance for the settlement of accounts payable	11.1	95,200	-	-	95,200
Share issued for acquisition of exploration and evaluation assets	11.1	108,500	-	-	108,500
Exercise of warrants	11.1	162,900	-	-	162,900
Exercise of Brokers' warrants	11.1	39,577	(7,420)	-	32,157
Expiration of warrants	11.2	-	(16,100)	16,100	-
Expiration of Brokers' warrants	11.3	-	(3,524)	3,524	-
Share-based payments	12.2	-	136,607	-	136,607
Issuance cost of units		-	54,403	(175,080)	(120,007)
		<u>2,698,494</u>	<u>342,693</u>	<u>(155,456)</u>	<u>2,885,731</u>
Net loss and total comprehensive loss for the period		-	-	(845,995)	(845,995)
Balance as at July 31, 2021		<u>5,027,947</u>	<u>667,739</u>	<u>(2,215,507)</u>	<u>3,480,179</u>

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

Beauce Gold Fields Inc.

Statements of Cash Flows

As at July 31, 2021 and 2020
(in Canadian dollars)

	Notes	2021 \$	2020 \$
OPERATING ACTIVITIES			
Net loss		(845,995)	(669,751)
Adjustments			
Change in fair value of royalties payable		31,853	31,443
Interests on the note payable		19,918	5,000
Write-off of exploration and evaluation assets		(102,959)	-
Deferred income taxes		-	20,879
Share-based payments		136,607	-
Salaries and employee benefits expense		25,500	146,040
Changes in working capital items	16	(275,657)	42,009
Cash flows used for operating activities		<u>(1,010,733)</u>	<u>(424,380)</u>
INVESTING ACTIVITIES			
Addition to exploration and evaluation assets		(728,429)	(138,186)
Addition to property and equipment		(10,625)	-
Tax credits received		1,475	-
Cash flows used for investing activities		<u>(737,579)</u>	<u>(138,186)</u>
FINANCING ACTIVITIES			
Issuance of units by private placements and flow-through placements		2,615,802	636,750
Exercise of warrants		162,900	-
Exercise of Brokers' warrants		32,157	-
Reimbursement of note payable		(180,000)	-
Issuance cost of units		(120,677)	(16,406)
Cash flows from financing activities		<u>2,510,182</u>	<u>620,344</u>
Net change in cash		761,870	57,778
Cash, beginning of the period		313,267	255,489
Cash, end of the period		<u>1,075,137</u>	<u>313,267</u>

For additional cash flows information refer to Note 16.

Cash operations

Interests paid related to operating activities	24,347	16,244
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The accompanying notes are an integral part of the financial statements.

Beauce Gold Fields Inc.

Notes to Financial Statements

As at July 31, 2021 and 2020
(in Canadian dollars)

1. NATURE OF OPERATIONS

Beauce Gold Fields Inc. (hereinafter the "Company") specializes in the exploration of gold in mining sites located in Quebec.

2. GOING CONCERN AND STATEMENT OF COMPLIANCE WITH IFRS

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

Given that the Company has not yet determined whether its properties contain mineral deposits that are economically recoverable, the Company has not yet generated income or cash flows from its operations. As at July 31, 2021, the Company has cumulated retained deficit of \$2,215,507 (\$1,214,056 as at July 31, 2020). The liquidities of the Company are not sufficient to fund its administrative and exploration and evaluation expenses of the next year. These material uncertainties cast a significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability to raise additional financing to further explore its mineral properties and continued support of suppliers and creditors. Even if the Company has been successful in the past in doing so, there is no assurance that it will manage to obtain additional financing in the future.

The carrying amounts of assets, liabilities, revenues and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

3. GENERAL INFORMATION

The Company was incorporated under the *Canada Business Corporations Act* on August 1st, 2016. The Company traded on the TSX-Venture Exchange ("TSX-V") under the symbol "BGF" since February 4, 2019. The address of the registered office and its principal place of business is 3000 Omer-Lavallee Street, office 306, Montreal, Quebec, Canada.

4. SUMMARY OF ACCOUNTING POLICIES

4.1 Overall considerations

The significant accounting policies that have been applied in the preparation of these financial statements are summarized below.

4.2 Functional and presentation currency

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

4.3 Standards, modifications and interpretations of published standards which are not yet in force and which have not been early adopted by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement and its not expected that to have a material impact on the Company's financial statements.

Beauce Gold Fields Inc.

Notes to Financial Statements

As at July 31, 2021 and 2020
(in Canadian dollars)

4.4 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are measured initially at fair value plus transaction costs, if any. Financial liabilities are measured initially at fair value and, if applicable, adjusted of transaction costs except if the Company has designed a financial liability at fair value through profit or loss.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized in the event of termination, extinction, cancellation or expiration.

The classification of financial instruments under IFRS 9 is based on the entity's business model and the characteristics of the contractual cash flows of the financial asset or liability.

Classification and initial valuation of financial assets

Financial assets are classified in the category at amortized cost.

All income and expenses relating to financial assets recognized in profit or loss are presented within other charges, if any.

Subsequent valuation of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if they meet the following conditions:

- They are held according to an economic model whose objective is to hold financial assets in order to collect the contractual cash flows;
- The contractual terms of the financial assets give rise to cash flows that correspond solely to repayments of principal and interest payments on the principal outstanding.

After initial recognition, they are measured at amortized cost using the effective interest rate method. The update is omitted if its effect is not significant. Cash is included in this category of financial instruments.

Impairment of financial assets

The impairment provisions in IFRS 9 use the expected credit loss model.

The recognition of credit losses must take into account information for assessing credit risk and assessing expected credit losses, including past events, current circumstances, reasonable and justifiable forecasts that affect expected recoverability of future cash flows of the financial instrument.

The estimate of expected credit losses is determined at each reporting date to reflect changes in credit risk since the initial recognition of the related financial asset.

Beauce Gold Fields Inc.

Notes to Financial Statements

As at July 31, 2021 and 2020
(in Canadian dollars)

4.4 Financial instruments (continued)

Classification and subsequent valuation of financial liabilities

The Company's financial liabilities include trade and other payables (excluding salaries and benefits expense), and royalties payable (the note payable was also included in financial liabilities as of July 31, 2020).

After initial recognition, financial liabilities are evaluated at amortized cost using the effective interest rate method, except for royalties' payable who are designated, by the Company, at fair value through profit or loss because they included an embedded derivative. Royalties' payable are subsequently evaluated at fair value with gains and losses recognized in profit or loss.

Interest expenses and change in the fair value of an instrument recognized in profit or loss are presented in other charges.

4.5 Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss attributable to common equity holders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting loss attributable to common equity holders of the Company, and loss weighted average number of common shares outstanding, for the effects of all dilutive potential common shares which include share options, brokers' warrants and warrants. Dilutive potential common shares shall be deemed to have been converted into common shares at the average market price at the beginning of the period or, if later, at the date of issue of the potential common shares.

4.6 Tax credits receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. The tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

4.7 Exploration and evaluation assets and exploration and evaluation expenditures

Exploration and evaluation expenditures are costs incurred in the course of initial search for mineral deposits before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal rights to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights and expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase. Exploration and evaluation assets include a land recorded as non-amortizable fixed asset and carried at cost less any accumulated impairment losses.

Beauce Gold Fields Inc.

Notes to Financial Statements

As at July 31, 2021 and 2020
(in Canadian dollars)

4.7 Exploration and evaluation assets and exploration and evaluation expenditures (continued)

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts (see Note 4.8), the difference is then immediately recognized in profit or loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment (see Note 4.8), and any impairment loss is recognized in profit or loss before reclassification.

To date, neither the technical feasibility nor commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Disposal of interest in connection with option agreement

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer are credited against the costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

4.8 Impairment of exploration and evaluation assets and property and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

Beauce Gold Fields Inc.

Notes to Financial Statements

As at July 31, 2021 and 2020
(in Canadian dollars)

4.8 Impairment of exploration and evaluation assets and Property and equipment (continued)

An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment charge is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

4.9 Property and equipment

Property and equipment are held at cost less accumulated amortization and accumulated impairment losses.

Cost includes all costs incurred initially to acquire or construct an item of property and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part thereof. Recognition of costs in the carrying amount of an item of property and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Upon the transfer of exploration and evaluation assets to property and equipment under intended Mining assets under construction, all subsequent expenditures on the construction, installation or completion of equipment and infrastructure facilities are capitalized within Mining assets under construction. When development stage is completed, all assets included in the mining assets under construction category are then transferred to Mining assets.

Amortization is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. The amortization period is as follows:

	Useful <u>Life</u>
Exploration equipment	3 years

The amortization expense for each period is recognized in profit or loss except for certain items of property and equipment related to exploration and evaluation activities where the amortization expense is included in the carrying amount of an exploration and evaluation asset when it relates to a specific exploration and evaluation project.

The residual value, amortization method and useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is included in profit or loss when the item is derecognized.

Beauce Gold Fields Inc.

Notes to Financial Statements

As at July 31, 2021 and 2020
(in Canadian dollars)

4.10 Provisions and contingent liabilities

Provisions are recognized when present legal or constructive obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. No provision was recognized in the statements of financial position as at July 31, 2021 and July 31, 2020.

4.11 Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognized to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilized against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 "Income Taxes" specifies limited exemptions.

Tax related to flow-through placements

According to the provisions of tax legislation relating to flow-through placements, the Company has to transfer its right to tax deductions for expenses related to exploration activities to the benefit of the investors. When the Company has fulfilled its obligation to transfer its right, which happens when the Company has incurred eligible expenditures and has renounced or has the intention to renounce to its right to tax deductions, a deferred tax liability is recognized for the taxable temporary difference that arises from difference between the carrying amount of eligible expenditures capitalized in the statement of financial position and its tax basis.

Beauce Gold Fields Inc.

Notes to Financial Statements

As at July 31, 2021 and 2020
(in Canadian dollars)

4.12 Equity

Share capital represents the amount received on the issue of shares. If shares are issued when share options, brokers' warrants or warrants are exercised, the share capital account also comprises the compensation costs or the value of the stock options or warrants previously recorded as contributed surplus. In addition, if the shares are issued as consideration for the acquisition of a mineral property and other non-monetary assets, the shares were measured at fair value according to the quoted price on the day of the conclusion of the agreement.

Unit placements

Proceeds from unit placements are allocated between shares and warrants issued using the residual method. Proceeds are first allocated to the shares according to the quoted price of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Flow-through placements

Issuance of flow-through units represents in substance an issue of common shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as liability related to flow-through shares in the statement of financial position. The proceeds received from flow-through units are allocated between share capital, warrants and the liability related to flow-through shares using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants according to the fair value at the date of issuance and the residual proceeds are allocated to the liability related to flow-through shares. The fair value of the warrants is determined using the Black-Scholes valuation model. The liability related to flow-through shares recorded initially on the issuance of units is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income tax expense.

Other elements of equity

Contributed surplus includes charges related to share options, warrants and brokers' warrants until such options and warrants are exercised. When they are cancelled or expired, the related compensation cost is transferred in decrease of retained deficit. When options and warrants are exercised, the related compensation cost is transferred to share capital.

Retained deficit includes all current and prior period retained profits or losses, plus issuance costs, net of any underlying income tax benefit from these issuance costs and compensation related to options and warrants cancelled or expired, transferred from contributed surplus.

4.13 Equity-settled share-based payments

The Company operates an equity-settled share-based payment plan for its eligible directors, officers, employees and consultants. The Company's plan does not feature any option for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For the transactions with employees and others providing similar services, the Company measured the fair value of the services rendered by reference to the fair value of the equity instruments granted.

Beauce Gold Fields Inc.

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4.13 Equity-settled share-based payments (continued)

Equity-settled share-based payments (except brokers' warrants) are ultimately recognized as an expense in profit or loss or capitalized as exploration and evaluation assets, depending on the nature of the payment with a corresponding credit to Contributed surplus, in equity. Equity-settled share-based payments to brokers, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment was made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

4.14 Segmental reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker, i.e. the management and the Board of Directors. The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

5. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

5.1 Significant management judgments

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Recognition of deferred income tax assets and measurement on income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period (see Note 4.11).

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meets its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

5.2 Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below. Actual results may be substantially different.

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5.2 Estimation uncertainty (continued)

Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and assumptions in any cases (see Note 4.8).

When an indication of an impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either future exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits.

Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

See Notes 7 for the exploration and evaluation assets impairment analysis.

During the period, the Company recognized to profit or loss a write-off of exploration and evaluation assets of \$19,918 (\$5,000 as at July 31, 2020). No reversal of impairment losses has been recognized for the reporting periods.

The other properties have not been tested for impairment as the Company has the ability to retain properties as it has sufficient financial resources to meet its short-term obligations and expenditures are programmed over future exercises. The rights to prospect for these properties will not expire in the near future and/or work has been carried out on these properties over the year.

Royalties payable

Management uses its judgment to estimate the amount of royalties payable (see Note 7). Uncertainty in estimates is related to net expenses assumptions and the determination of a suitable discount rate.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of historical data of the Company's own shares and the shares of similar companies in the industry, the probable life of share options, broker's warrants and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model (see Notes 11.2, 11.3 and 12.2).

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6. CASH

Cash includes an amount of \$391,919 (\$12,944 as at July 31, 2020) which represents the balance on flow-through financing not spent according to the restriction imposed by these financing arrangements. According to tax law, the Company has the obligation to dedicate these funds to Canadian mining properties exploration.

7. EXPLORATION AND EVALUATION ASSETS

	Balance at August 1st, 2020	Additions	Tax Credit	Write-off	Balance at July 31, 2021
	\$	\$	\$	\$	\$
Québec					
<i>Saint-Simon-Les-Mines Property</i>					
Mining rights	1,334,083	113,089	-	-	1,447,172
Exploration and evaluation expenses	207,639	731,911	(1,475)	-	938,075
Land	181,356	-	-	-	181,356
	<u>1,723,078</u>	<u>845,000</u>	<u>(1,475)</u>	<u>-</u>	<u>2,566,603</u>
<i>Ronchevaux Property-HPQ</i>					
Mining rights	10,000	-	-	(10,000)	-
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>
<i>Bradford Property</i>					
Mining rights	9,918	-	-	(9,918)	-
	<u>9,918</u>	<u>-</u>	<u>-</u>	<u>(9,918)</u>	<u>-</u>
<i>St-Bergemin Property</i>					
Mining rights	366	-	-	-	366
	<u>366</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366</u>
<i>Mégantic Property</i>					
Mining rights	-	12,638	-	-	12,638
Exploration and evaluation expenses	-	83,726	-	-	83,726
	<u>-</u>	<u>96,364</u>	<u>-</u>	<u>-</u>	<u>96,364</u>
<i>Rivière Ouareau Property</i>					
Mining rights	-	994	-	-	994
Exploration and evaluation expenses	-	2,310	-	-	2,310
	<u>-</u>	<u>3,304</u>	<u>-</u>	<u>-</u>	<u>3,304</u>

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7. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at August 1st, 2020	Additions	Tax Credit	Write-off	Balance at July 31, 2021
	\$	\$	\$	\$	\$
Québec					
<i>St-Isidore Property</i>					
Mining rights	-	2,221	-	-	2,221
	-	2,221	-	-	2,221
<i>Adstock Property</i>					
Mining rights	-	867	-	-	867
	-	867	-	-	867
<i>Iverness Property</i>					
Mining rights	-	663	-	-	663
	-	663	-	-	663
<i>Audet Property</i>					
Mining rights	-	928	-	-	928
	-	928	-	-	928
<i>Other Properties</i>					
Mining rights	-	3,446	-	-	3,446
	-	3,446	-	-	3,446
<i>Summary</i>					
Mining rights	1,354,367	134,846	-	(19,918)	1,469,295
Exploration and evaluation expenses	207,639	817,947	(1,475)	-	1,024,111
Land	181,356	-	-	-	181,356
	1,743,362	952,793	(1,475)	(19,918)	2,674,762

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7. EXPLORATION AND EVALUATION ASSETS (continued)

	Balance at August 1st, 2019 \$	Additions \$	Tax Credit \$	Write-off \$	Balance at July 31, 2020 \$
Québec					
<i>Saint-Simon-Les-Mines Property</i>					
Mining rights	1,332,274	1,809	-	-	1,334,083
Exploration and evaluation expenses	76,000	131,639	-	-	207,639
Land	181,356	-	-	-	181,356
	<u>1,589,630</u>	<u>133,448</u>	<u>-</u>	<u>-</u>	<u>1,723,078</u>
<i>Wares Property</i>					
Mining rights	5,000	-	-	(5,000)	-
	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
<i>Ronchevaux Property-HPQ</i>					
Mining rights	10,000	-	-	-	10,000
	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
<i>Bradford Property</i>					
Mining rights	5,546	4,372	-	-	9,918
	<u>5,546</u>	<u>4,372</u>	<u>-</u>	<u>-</u>	<u>9,918</u>
<i>St-Bergemin Property</i>					
Mining rights	-	366	-	-	366
	<u>-</u>	<u>366</u>	<u>-</u>	<u>-</u>	<u>366</u>
<i>Summary</i>					
Mining rights	1,352,820	6,547	-	(5,000)	1,354,367
Exploration and evaluation expenses	76,000	131,639	-	-	207,639
Land	181,356	-	-	-	181,356
	<u>1,610,176</u>	<u>138,186</u>	<u>-</u>	<u>(5,000)</u>	<u>1,743,362</u>

All write-off charges are presented in profit or loss under Write-off of exploration and evaluation assets.

Québec

Saint-Simon-Les-Mines Property

During December 2018, the Company completed the agreement concluded with a company with a significant influence, HPQ-Silicon Resources Inc. ("HPQ") for the acquisition of 152 claims located in the municipality of Saint-Simon-les-Mines in the Beauce region in Quebec, including 7 real estate lots for the price of \$1,500,000. The Company paid the price by assuming the mortgage of \$180,000 affecting these 7 real estate lots and the issuance of 13,200,000 common shares of its share capital for a total value of \$1,320,000. The fair value of the acquired property was determined based on an independent appraisal.

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Saint-Simon-Les-Mines Property (continued)

The Company has agreed to pay, to a third party, a royalty of 3.5% for the duration of gold production as well as an amount of \$500,000 upon commencement of production.

The Company will assume the payment to a third party of a royalty of 1.5% of which, at the option of the company, 1% may be redeemed for an amount of \$1,000,000. On September 30, 2020, the Company entered into an agreement to be redeemed from its holder by issuing 700,000 common shares of its share capital representing a value of \$108,500.

The Company will pay HPQ a NSR of an amount of \$35,000 between the fifteenth and the twenty-fourth month after the closing date and \$25,000 each subsequent year. This NSR can be redeemed at the option of the Company for \$250,000. The corresponding liability, Royalties payable, was recognized at the time of the acquisition for a total amount of \$176,563 calculated on the estimated cash flows under the agreement over a four-year period at a rate of 18%. The corresponding counterpart was accounted against the share capital. During the fiscal year ending July 31, 2020, the Company paid an amount of \$10,000 in cash. On March 9, 2021, the Company completed a debt settlement for the royalty payment of \$50,000 by the issuance of 166,667 common shares.

The Company holds a 100% interest in 153 claims (153 claims as at July 31, 2020).

Wares Property

During the last year, the Company has written-off this property following the abandonment of mining claims.

Roncevaux Property-HPQ

During the month of December 2018, according to the agreement entered with HPQ, the latter granted the Company the right to search and extract from its Roncevaux property base metals and other minerals other than quartz, in consideration of a 5% royalty (NSR) and the Company's issuance of 100,000 common shares for a value of \$10,000. This NSR can be repurchased in part by the company by paying HPQ \$100,000 for every 0.1%, up to 4%. During the year, the Company has written-off this property following the abandonment of the agreement with HPQ.

Bradford Property

During the period, the Company has written-off this property following the abandonment of mining claims. (112 claims as at July 31, 2020).

St-Bergemin Property

The Company holds a 100% interest in 8 claims acquired by staking (8 claims as at July 31, 2020).

Megantic Property

The Company holds a 100% interest in 175 claims acquired by staking (No claims as at July 31, 2020).

Rivière Ouareau Property

The Company holds a 100% interest in 15 claims acquired by staking (No claims as at July 31, 2020).

St-Isidore Property

The Company holds a 100% interest in 34 claims acquired by staking (No claims as at July 31, 2020).

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7. EXPLORATION AND EVALUATION ASSETS (continued)

Adstock Property

The Company holds a 100% interest in 11 claims acquired by staking (No claims as at July 31, 2020).

Iverness Property

The Company holds a 100% interest in 10 claims acquired by staking (No claims as at July 31, 2020).

Audet Property

The Company holds a 100% interest in 14 claims acquired by staking (No claims as at July 31, 2020).

Other Properties

The Company holds a 100% interest in 50 claims acquired by staking (No claims as at July 31, 2020).

8. PROPERTY AND EQUIPMENT

Property and equipment of the Company are composed of exploration equipment. The carrying amount is set out as follows:

	Exploration equipment	Total
	\$	\$
Gross carrying amount		
Balance at August 1 st , 2020	-	-
Acquisition	10,625	10,625
Balance at July 31, 2021	10,625	10,625
Accumulated depreciation		
Balance at August 1 st , 2020 and at July 31, 2021	-	-
Gross carrying amount at July 31, 2021	10,625	10,625

9. TRADE AND OTHER PAYABLES

	July 31, 2021	July 31, 2020
	\$	\$
Trade and other payables	151,542	70,838
Management fees payable	-	29,167
Salaries payable	-	93,623
Remuneration of directors payable	48,750	23,250
Other	-	22,479
	200,292	239,357

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10. NOTE PAYABLE

During December 2018, the Company signed a real state mortgage of \$180,000, secured by the land with a net carrying amount of \$181,356, bearing interest at compound rate of 18% annually until July 31, 2020. On September 4, 2020, the Company reimbursed the principal and interests.

11. EQUITY

11.1 Share capital

The share capital of the Company consists of an unlimited number of common shares without par value. All shares are participating and are equally eligible to receive dividends and the repayment of capital and represent one vote each at the shareholders' meeting of the Company.

	July 31, 2021	July 31, 2020
	Number of shares	Number of shares
Shares issued at the beginning	25,474,166	18,716,666
Private placements (a) (b) (c) (d) (e) (i)	12,113,350	6,637,500
Flow-through private placements (c) (h) (k)	5,125,001	120,000
Issuance for the settlement of accounts payable (g) (j) (l)	388,853	-
Exercise of warrants	1,102,000	-
Exercise of Broker's warrants	153,125	-
Acquisition of exploration and evaluation assets (f)	700,000	-
Total shares issued and fully paid at the end	45,056,495	25,474,166

- (a) On September 9, 2019, the Company completed a private financing for a total amount of \$173,250. The Company issued 1,732,500 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.15 per share during a period of 24 months following the closing of the financing. No amount related to warrants was recorded.
- Furthermore, the Company issued 16,000 warrants to brokers (for a value of \$1,101). Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.15 per share for a period of 24 months from the date of closing of the financing.
- (b) On October 8, 2019, the Company completed a private financing for a total amount of \$28,500. The Company issued 285,000 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.15 per share during a period of 24 months following the closing of the financing. No amount related to warrants was recorded.
- (c) On December 31, 2019, the Company completed a private financing for a total amount of \$30,000. The Company issued 30 units and each unit consisting of 4,000 common shares, 4,000 flow-through shares and 4,000 warrants. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.18 per share during a period of 24 months following the closing of the financing. An amount of \$2,400 related to the warrants was recorded as an increase of contributed surplus and no amount related to flow-through liability was recognized.

Beauce Gold Fields Inc.

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11.1 Share capital (continued)

- (d) On June 23, 2020, the Company completed a private financing for a total amount of \$405,000. The Company issued 4,500,000 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.15 per share during a period of 36 months following the closing of the financing. No amount related to warrants was recorded.

In addition, the Company paid an amount of \$5,506 as commission fees. The Company issued to the agent 61,184 warrants (for a value of \$4,457). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.15 per share for a period of 36 months from the date of closing of the financing.

- (e) On August 21, 2020, the Company completed a private financing for a total amount of \$1,000,002. The Company issued 8,333,350 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.18 per share during a period of 36 months following the closing of the financing. No amount related to warrants was recorded.

In addition, the Company paid an amount of \$12,800 in commission fees. The Company issued to the agent 106,664 warrants (for a value of \$12,251). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.18 per share for a period of 36 months from the date of closing of the placement.

- (f) On September 30, 2020, the Company entered into an agreement to buy back the 1.5% royalty on the Saint-Simon-Les-Mines property. The 1.5% royalty is redeemed from its holder by issuing 700,000 common shares of its share capital representing a value of \$108,500.

- (g) On September 30, 2020, the Company has settled a trade account payable of \$11,300 by the issuance of 77,931 common shares. No profit or loss was recorded on this transaction.

- (h) On December 10, 2020, the Company completed a private financing for a total amount of \$500,000. The Company issued 3,125,000 units consists of one flow-through share and one-half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.21 per share for a period of 24 months following the closing of the financing. An amount of \$70,313 related to warrants was recorded as an increase of contributed surplus and an amount of \$70,315 related to liability component was recorded in the statement of financial position.

In addition, the Company paid an amount of \$12,250 in commission fees. The Company issued to the agent 153,125 warrants (for a value of \$7,420). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.21 per share for a period of 24 months from the date of closing of the placement.

- (i) On February 22, 2021, the Company completed a private financing for a total amount of \$415,800. The Company issued 3,780,000 units consisting of one common share and one warrant. Each warrant entitles the holder thereof to subscribe to one common share of the Company at a price of \$0.12 per share during a period of 36 months following the closing of the financing. No amount related to warrants was recorded.

In addition, the Company paid an amount of \$13,024 in commission fees. The Company issued to the agent 118,400 warrants (for a value of \$15,761). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.12 per share for a period of 36 months from the date of closing of the placement.

- (j) On March 9, 2021, the Company has settled a royalty payable of \$50,000 by the issuance of 166,667 common shares. No profit or loss was recorded on this transaction.

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11.1 Share capital (continued)

(k) On March 30, 2021, the Company completed a private financing for a total amount of \$700,000. The Company issued 2,000,001 units consists of one flow-through share and one-half warrant. Each full warrant entitles the holder thereof to subscribe for an equivalent number of common shares of the Company at a price of \$0.50 per share for a period of 24 months following the closing of the financing. An amount of \$108,414 related to warrants was recorded as an increase of contributed surplus and an amount of \$74,443 related to liability component was recorded in the statement of financial position.

In addition, the Company paid an amount of \$34,000 in commission fees and issued to the agent 85,714 warrants (for a value of \$9,575). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.40 per share for a period of 24 months from the date of closing of the placement. The Company paid an amount of \$21,000 in commission fees and issued to the agent 60,000 warrants (for a value of \$7,162). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.35 per share for a period of 24 months from the date of closing of the placement. The Company issued to the agent 20,000 warrants (for a value of \$2,234). Each warrant entitles the holder to subscribe to one common share of the Company at a price of \$0.40 per share for a period of 24 months from the date of closing of the placement.

(l) On June 9, 2021, the Company has settled a trade account payable of \$33,900 by the issuance of 144,255 common shares. No profit or loss was recorded on this transaction.

During the period ended July 31, 2021, 1,102,000 common shares were issued following the exercise of warrants. An amount of \$162,900 that was received was charged to share capital. No amount related to warrants at the time of issue. The weighted average share price at the exercise was \$0.148 per share.

During the period ended July 31, 2021, 153,125 common shares were issued following the exercise of broker's warrants. An amount of \$32,157 which was received and an amount of \$7,420 representing the fair value of the warrants to brokers at the time of issuance were charged to share capital. The weighted average share price at the exercise was \$0.21 per share.

11.2 Warrants

Outstanding warrants entitle their holders to subscribe to an equivalent number of common shares as follows:

	July 31, 2021		July 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Balance, beginning	13,217,060	0.19	7,163,423	0.25
Granted	14,675,850	0.19	6,637,500	0.15
Exercised	(1,102,000)	0.15	-	-
Expired	(4,144,770)	0.18	(583,863)	0.53
Balance, end	<u>22,646,140</u>	<u>0.19</u>	<u>13,217,060</u>	<u>0.19</u>

The Company recognized an amount of \$178,727 (\$2,400 as at July 31, 2020) as an increase in contributed surplus and a decrease in share capital in connection with the issuance of warrants 2,562,500 issued (120,000 as at July 31, 2020) relating to placement concluded (see note 11.1 ©, 11.1 (h), and 11.1(k)).

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11.2 Warrants (continued)

The fair value of \$0.066 of the warrants (\$0.07 as at July 31, 2020) granted during placement was estimated, at the grant date, using the Black-Scholes valuation model, based on the following weighted average assumptions:

	2021	2020
Average share price at date of grant	\$0.17	\$0.13
Expected Dividends yield	0%	0%
Expected volatility	106%	115%
Risk-free interest rate	0.34%	1.38%
Expected life	2 years	2 years
Average exercise price at date of grant	\$0.32	\$0.18

The underlying expected volatility was determined by reference to historical data on the shares of similar companies in the industry over the expected average life of the warrants.

Outlined below are the outstanding warrants which could be exercised for an equivalent number of common shares:

Expiration date	July 31, 2021		July 31, 2020	
	Number	Exercise price	Number	Exercise price
		\$		\$
October 2020	-	-	144,140	0.415
November 2020	-	-	600,630	0.31
December 2020	-	-	3,500,000	0.15
August 2021	1,501,457	0.35	1,501,457	0.35
September 2021	1,382,500	0.15	1,732,500	0.15
October 2021	235,000	0.15	285,000	0.15
December 2021	80,000	0.18	120,000	0.18
December 2022 (i)	812,333	0.18	833,333	0.18
December 2022	1,562,500	0.21	-	-
March 2023	1,000,000	0.50	-	-
June 2023	4,200,000	0.15	4,500,000	0.15
August 2023	8,283,350	0.18	-	-
February 2024	3,589,000	0.12	-	-
	<u>22,646,140</u>	<u>0.19</u>	<u>13,217,060</u>	<u>0.19</u>

(i) On November 24, 2020, the Company extended 833,333 warrants expiring in December 2020 through December 2022.

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11.3 Brokers' warrants

Outstanding brokers' warrants entitle their holders to subscribe to an equivalent number of common shares as follows:

	July 31, 2021		July 31, 2020	
	Number of broker's warrants	Weighted average exercise price	Number of broker's warrants	Weighted average exercise price
		\$		\$
Balance, beginning	165,184	0.15	88,000	0.15
Granted	543,903	0.24	77,184	0.15
Exercised	(153,125)	0.21	-	-
Expired	(88,000)	0.15	-	-
Balance, end	<u>467,962</u>	<u>0.23</u>	<u>165,184</u>	<u>0.15</u>

The Company recorded an amount of \$54,403 (\$5,558 as at July 31, 2020) as issuance cost when the brokers' warrants were issued and was recorded as an increase to contributed surplus and a decrease to retained deficit.

The weighted average fair value \$0.10 (\$0.072 as at July 31, 2020) of the brokers' warrants granted was estimated on the grant date using the Black-Scholes option pricing model, based on the following weighted average assumptions:

	2021	2020
Average share price at date of grant	\$0.19	\$0.12
Expected dividends yield	0%	0%
Expected volatility	104%	113%
Risk-free interest rate	0.49%	0.50%
Expected life	2.4 years	2.2 years
Average exercise price at date of grant	\$0.24	\$0.15

The underlying expected volatility was determined by reference to historical data the Company as well as shares of similar companies shares over the expected average life of the brokers' warrants.

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11.3 Brokers' warrants (continued)

Outlined below are the outstanding brokers' warrants which could be exercised for an equivalent number of common shares:

Expiration date	July 31, 2021		July 31, 2020	
	Number	Exercise price	Number	Exercise price
		\$		\$
December 2020	-	-	88,000	0.15
September 2021	16,000	0.15	16,000	0.15
March 2023	105,714	0.40	-	-
March 2023	60,000	0.35	-	-
June 2023	61,184	0.15	61,184	0.15
August 2023	106,664	0.18	-	-
February 2024	118,400	0.12	-	-
	<u>467,962</u>	<u>0.23</u>	<u>165,184</u>	<u>0.15</u>

12 EMPLOYEE REMUNERATION

12.1 Salaries and employee benefits expense

Salaries and employee benefits expense are analyzed as follows:

	July, 31	
	2021	2020
	\$	\$
Salaries and benefits	186,367	152,480
Management fees	50,000	45,833
Remuneration of directors	25,500	23,250
Share-based payments	109,064	-
	<u>370,931</u>	<u>221,563</u>

12.2 Share-based payments

On September 1st, 2020, the Company adopted a new share-based payment plan under which the Board of Directors may award to directors, officers, employees and consultants, share options entitling its holder to purchase common shares of the Company. The maximum number of shares issuable under the plan is 3,380,000 common shares (1,900,000 as at July 31, 2020).

The exercise price of each share option is determined by the Board of Directors and cannot be less than the discount market price of common shares as defined by TSX Venture Exchange policies and the term cannot exceed ten years.

The maximum number of common shares that can be issued to a beneficiary, during any 12-month period is limited to 5% of issued and outstanding shares.

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12.2 Share-based payments (continued)

The maximum numbers of shares that can be issued to a consultant during any 12-month period is limited to 2% of issued and outstanding shares. Moreover, the share options granted to consultants performing investor relations activities shall be exercised by stages over a 12-month period after the grant, at a rate of 25% per quarter.

All share-based payments will be settled in equity. The Company has no legal or constructive obligation to repurchase or settle the share options in cash.

During the year, the Company has granted 1,480,000 share options to members of the board, officers and a consultant.

An amount of \$132,851 were included in profit or loss (\$109,064 as salaries and employee benefits expense and \$23,787 as professional fees) and credited to contributed surplus.

In addition, the Company granted 50,000 options to a consultant for a total value of \$5,007. An amount of \$3,756 was recorded in profit or loss and credited to contributed surplus for the 37,500 share options that were acquired during the period.

The weighted fair value of the granted options of \$0.09 was determined using the Black-Scholes option pricing model based on the following weighted average assumptions:

	2021
Share price at date of grant	\$0.12
Expected dividend yield	0%
Expected volatility	102%
Risk-free interest rate	0.33%
Expected life	4.06 years
Exercise price at date of grant	\$0.12

The underlying expected volatility was determined by reference to historical data on the shares of similar companies in the industry over the expected average life of the options. No special features inherent to the options granted were incorporated into measurement of fair value.

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12.2 Share-based payments (continued)

The Company's share options are as follows for the reporting period presented:

	July 31, 2021		July 31, 2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning	1,850,000	0.16	1,850,000	0.16
Granted	1,530,000	0.12	-	-
Outstanding at end of reporting period	<u>3,380,000</u>	<u>0.14</u>	<u>1,850,000</u>	<u>0.16</u>
Exercisable	<u>3,367,500</u>	<u>0.14</u>	<u>1,850,000</u>	<u>0.16</u>

The table below summarizes the information related to outstanding share options as at July 31, 2021:

Outstanding options		
Number	Exercise price \$	Remaining contractual life years
1,480,000	0.12	4.43
1,850,000	0.16	2.56
50,000	0.17	1.05
<u>3,380,000</u>	<u>0.14</u>	<u>3.35</u>

The table below summarizes the information related to outstanding share options as at July 31, 2020:

Outstanding options		
Number	Exercise price \$	Remaining contractual life years
1,850,000	0.16	3.56
<u>1,850,000</u>	<u>0.16</u>	<u>3.56</u>

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13. FAIR VALUE MEASUREMENT

13.1 Financial instruments measured at fair value

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the assets or liabilities that are not based on observable market data.

As at July 31, 2021, the fair value of the non-current royalties' payable is \$198,398 (\$168,134 as at July 31, 2020). Royalties' payable are classified in the level 3 of the fair value hierarchy.

The fair value of royalties payable was estimated using a discounting method. The initial fair value of \$176,563 and the fair value as at July 31, 2021, were estimated based on the probability of reimbursement under a four-year period at a rate of 18% which is the rate for similar instruments. The outgoing cash flows before discounting are \$310,000 and reflect the assumption of the management for the reimbursement of royalties. During the period, an amount of \$31,853 (\$31,443 as at July 31, 2020) was accounted in profit or loss as change in fair value of royalties payable.

As at July 31, 2021 and July 31, 2020, a variation of 1% of the discount rate would have increase or decrease the fair value of approximatively \$3,000 (\$2,000 as at July 31, 2020).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period divided by the weighted average number of shares in circulation during the period. In calculating the diluted loss per share, dilutive potential common shares such as warrants, brokers' warrants and share options have not been included as they would have the effect of decreasing the loss per share. Decreasing the loss per share would be antidilutive. Details of share options and warrants issued that could potentially dilute earnings per share in the future are given in Notes 11.2, 11.3 and 12.2.

Both the basic and diluted loss per share have been calculated using the loss as the numerator, i.e. no adjustment to the loss were necessary in 2021 and 2020.

	July 31,	
	2021	2020
Net loss	\$(845,995)	\$(669,751)
Weighted average number of outstanding shares	38,815,818	21,116,173
Basic and diluted loss per share	\$(0.02)	\$(0.03)

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15. INCOME TAXES

Major components of tax expense (income)

The major components of tax expense (income) are outlined below:

	2021	2020
	\$	\$
Origination and reversal of temporary differences	(200,602)	(171,683)
Tax effect of flow-through shares	216,172	34,884
Reversal of the liability related to flow-through shares	(102,959)	-
Adjustments of prior deferred tax	(1,547)	(9,399)
Temporary differences not recorded	(14,023)	146,198
	<u>(102,959)</u>	<u>-</u>

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statement of comprehensive loss can be reconciled as follows:

	2021	2020
	\$	\$
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.5%	(251,475)	(177,484)
Adjustments for the following items:		
Fiscal impact of temporary difference not recorded	(14,023)	146,198
Adjustments of prior deferred tax	(1,547)	(9,399)
Tax effect of flow-through shares	216,172	34,884
Reversal of the liability related to flow-through shares	(102,959)	-
Share-based payments	36,201	-
Royalties	13,250	2,650
Non-deductible expenses and other	1,422	3,151
Deferred income tax income	<u>(102,959)</u>	<u>-</u>

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15. INCOME TAXES (continued)

Deferred tax assets and liabilities and variation of recognized amounts during the fiscal year

The following differences between the carrying amounts and tax bases from temporary differences and unused tax losses give rise to the following recognized deferred income tax assets and liabilities, and the following unrecognized temporary differences and unused tax losses:

	Balance, August 1, 2020 \$	Recognized in profit or loss \$	Recognized in equity \$	Balance, July 31, 2021 \$
Recognized				
Exploration and evaluation assets	(53,699)	(209,929)	-	(263,628)
Non-capital losses	53,699	209,929	-	263,628
Recognized deferred tax assets and liabilities	-	-	-	-
Reversal of the liability related to flow-through shares		(102,959)		
Variation of deferred income tax in profit or loss		(102,959)		

	Balance, August 1, 2019 \$	Recognized in profit or loss \$	Recognized in equity \$	Balance, July 31, 2020 \$
Recognized				
Exploration and evaluation assets	(20,140)	(33,559)	-	(53,699)
Non-capital losses	20,140	33,559	-	53,699
Recognized deferred tax assets and liabilities	-	-	-	-

	July 31, 2021	
	Federal \$	Provincial \$
Deductible temporary differences and tax losses not recognized		
Issuance costs of equity instruments	119,172	119,172
Royalties	48,750	48,750
Unused non-capital losses carry-forwards	198,398	198,398
	608,288	600,056
	974,608	966,376

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15. INCOME TAXES (continued)

Deferred tax assets and liabilities and variation of recognized amounts during the fiscal year (continued)

	July 31, 2020	
	Federal	Provincial
	\$	\$
Deductible temporary differences and tax losses not recognized		
Issuance costs of units	32,304	32,304
Provisions	116,873	116,873
Royalties	216,545	216,545
Unused non-capital losses carry-forward	542,356	531,297
	<u>908,078</u>	<u>897,019</u>

The ability to realize the tax benefits depends on many factors, including the probability to generate future taxable incomes. The deferred tax assets are recognized only if it is probable that sufficient taxable profits will be available to allow the recovery of these assets. Therefore, some deferred tax assets have not been recognized, these unrecognized assets totaling an amount of \$257,325 (\$239,369 in 2020).

The Company has non-capital losses which are available to reduce income taxes in future periods, for which no deferred tax asset has been recorded in the statement of financial position that can be carried over the following years:

	Federal	Provincial
	\$	\$
2041	608,288	600,056
	<u>608,288</u>	<u>600,056</u>

16. ADDITIONAL INFORMATION – CASH FLOWS

The changes in working capital items are detailed as follows:

	As at July 31,	
	2021	2020
	\$	\$
Goods and services tax receivable	(79,518)	9,060
Prepaid expenses	(910)	729
Advance for exploration and evaluation expenses	(60,000)	-
Trade and other payables	(135,229)	42,220
Royalties payable	-	(10,000)
	<u>(275,657)</u>	<u>42,009</u>

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16. ADDITIONAL INFORMATION – CASH FLOWS (continued)

Non-cash financial position transactions are detailed as follows:

	As at July,	
	2021	2020
	\$	\$
Trade and other payables included in exploration and evaluation assets	115,864	-
Issuance of shares for settlement of an account payable	45,200	-
Issuance of shares for the payment of royalties payable	50,000	-
Issuance of equity instruments for issuance cost of units	54,403	5,558
Issuance of shares included in exploration and evaluation assets	108,500	-
Tax credits included in exploration and evaluation assets	1,475	-

17. RELATED PARTY TRANSACTIONS

The Company's related parties include key management, companies held by a director or an officer and a company with significant influence.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantee was given or received. Outstanding balances are usually settled in cash.

17.1 Transactions with key management personnel

Key management personnel of the Company are members of the Board of Directors and officers. Key management personnel remuneration includes the following expenses:

	July, 31	
	2021	2020
	\$	\$
Salaries and benefits	186,367	152,480
Management fees ⁽¹⁾	50,000	45,833
Consultant ⁽²⁾	23,500	-
Remuneration of directors	25,500	23,250
Share-based payments	109,064	-
	<u>394,431</u>	<u>221,563</u>

⁽¹⁾ Paid to a company owned by a director

⁽²⁾ Paid to a company owned by a director

Trade and other payables include an amount of \$12,033 (\$144,433 as at July 31, 2020) due to officers as well as \$48,750 (\$23,250 as at July 31, 2020) due to directors.

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18. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern, to increase the value of the assets of the business, and to provide an adequate return to owners of the Company.

These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them through to production or sale and cash flows, either with partners or by the Company's own means.

The Company monitors capital on the basis of the carrying amount of equity.

The Company is not exposed to any externally imposed capital requirements except when the Company issues a flow-through placement for which an amount should be used for exploration work, details of which are given in Notes 11.1 and 20.

The Company finances its exploration and evaluation activities mainly by seeking additional capital either through private placements or public placements. When funding conditions are not optimal, the Company can sign option agreements or other agreements to be able to continue its exploration and evaluation activities or can slow down its activities until conditions funding improves.

19. FINANCIAL INSTRUMENT RISKS

The Company is exposed to various risks in relation to financial instruments. The main types of risks are credit risk and liquidity risk.

The Company risk management is coordinated in close cooperation with the Board of Directors. The objectives focuses on actively securing the Company short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The most significant financial risks to which the Company is exposed are described below.

19.1 Credit risk

Credit risk is the risk than another party to a financial instrument fails to its obligations and, therefore, leads the Company to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of cash for an amount of \$1,075,137 as at July 31, 2021 (\$313,267 as at July 31, 2020).

The credit risk for cash is considered negligible, since the counterparty is a reputable bank with high quality external credit ratings.

19.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations with financial liabilities that are settled by cash or another financial asset.

Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has financing sources such as private and public investments for a sufficient amount.

Over the period, the Company has financed its exploration programs, its working capital requirements through private placements.

The Company expects to respect its obligations with its cash flows related to placements.

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19.2 Liquidity risk (continued)

Trade and other payables for an amount of \$151,542 (\$101,604 as at July 31, 2020), no royalties payable (\$50,000 as at July 31, 2020) and no note payable (\$180,000 plus interests of \$20,879 as at July 31, 2020) have contractual maturities of less than twelve months. Royalties payable of \$250,000 (\$250,000 as at July 31, 2020) have maturities between one and five years.

The Company considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash and Goods and services tax receivable.

20. CONTINGENCIES AND COMMITMENTS

The Company is partially financed through the issuance of flow-through units and, according to tax rules regarding this type of financing, the Company is engaged in realizing mining exploration work.

These tax rules also set deadlines for carrying out the exploration work, which must be performed no later than the first of the following dates:

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

However, there is no guarantee that the Company's exploration expenses will qualify as Canadian exploration expenses, even if the Company is committed to taking all the necessary measures in this regard.

Refusal of certain expenses by the tax authorities would have a negative tax impact for investors.

The Company entered into agreements with subscribers whereby the Company has to incur \$698,000 of Canadian Exploration Expenses before December 31, 2022. As at July 31, 2021, \$306,081 was spent.

On August 20, 2020, the Company entered into a service relationship agreement with investors with the company MI3 Communications Financières Inc. Under the agreement, the Company will pay monthly fees of \$5,000 for a period of 12 months and will issue 50,000 share options to purchase shares at a price of \$0.17 per share over a period of 24 months following the grant at a rate of 25% per quarter and 37,500 stock options has been vested during this period.

21. SUBSEQUENT EVENT

On September 24, 2021, the Company has settled a trade account payable of \$11,300 by the issuance of 80,714 common shares. No profit or loss was recorded on this transaction.

After the year ended, 470,000 warrants have been raised for a total amount of \$70,500 in cash.