FALCON
GOLD CORP

Consolidated Financial Statements

June 30, 2020 and 2019

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Falcon Gold Corp.

Opinion

We have audited the consolidated financial statements of Falcon Gold Corp. and its subsidiaries (the "Company") which comprise the consolidated statements of financial position as at June 30, 2020 and 2019, and the consolidated statements of operations and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

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

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

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. We have nothing to report in this regard.

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

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

In preparing the 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.

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors’ report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, Canada
October 28, 2020

FALCON GOLD CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	June 30 2020 $	June 30 2019 $
ASSETS		
Current assets		
Cash	121,333	52,883
Amounts receivable	29,912	2,302
Market securities (Note 3)	60,000	–
Prepaid expenses and deposits	23,300	25,350
Total current assets	234,545	80,535
Non-current assets		
Exploration and evaluation assets (Note 4)	626,350	86,832
Total non-current assets	626,350	86,832
Total assets	860,895	167,367
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	437,166	528,035
Loans	–	99,000
Total liabilities	437,166	627,035
SHAREHOLDERS' EQUITY (DEFICENCY)		
Share capital	6,962,208	5,637,864
Reserves	1,179,520	948,971
Deficit	(7,717,999)	(7,046,503)
Total shareholders' equity (deficiency)	423,729	(459,668)
Total liabilities and shareholders' equity	860,895	167,367

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 11)

Approved and authorized for issuance on behalf of the Board of Directors on October 28, 2020:

/s/ Karim Rayani — /s/ James Farley

Karim Rayani — James Farley

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

FALCON GOLD CORP.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended	June 30 2020 $	June 30 2019 $
Expenses		
Consulting (Note 8)	124,124	41,500
Filing fees and communication	217,269	21,683
Foreign exchange	3,300	–
Management fees (Note 8)	113,500	82,125
Office and miscellaneous	20,571	156,550
Professional fees	42,573	38,397
Share-based compensation (Note 8)	117,099	–
Total expenses	638,436	340,255
Other (income) expense		
Flow-through premium	(20,850)	
Gain on settlement of debt	(45,582)	–
Impairment and write-off of mineral properties (Note 4)	148,344	1,330,591
Mineral property option payments in excess of capitalized costs	(6,170)	(7,800)
Unrealized gain on marketable securities	(25,000)	–
Write-off of accounts payable	(43,032)	–
Write-off of prepaid expenses	25,350	–
Net loss for the year	671,496	1,663,046
Loss per share, basic and diluted	0.01	0.05
Weighted average shares outstanding	59,634,451	36,270,047

FALCON GOLD CORP.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

	Common Shares		Share-based payment reserve	Deficit	Total shareholders' equity (deficieny)
	Number	$	$	$	$
Balance, June 30, 2019	38,120,184	5,637,864	948,971	(7,046,503)	(459,668)
Shares issued cash	22,861,634	697,162	10,484	–	707,646
Share issue costs	–	(3,735)	–	–	(3,735)
Shares issued for debt	550,000	19,250	–	–	19,250
Shares issued for options exercised	400,000	30,917	(10,917)	–	20,000
Shares issued for warrants exercised	6,115,000	305,750	–	–	305,750
Shares and warrants issued for mineral properties	4,500,000	275,000	113,883	–	388,883
Share-based compensation	–	–	117,099	–	117,099
Loss and comprehensive loss	–	–	–	(671,496)	(671,496)
Balance June 30, 2020	72,546,818	6,962,208	1,179,520	(7,717,999)	423,729
Balance, June 30, 2018	32,916,184	5,484,381	943,764	(5,383,457)	1,044,688
Shares issued for cash	5,024,000	175,840	–	–	175,840
Share issue costs	–	(25,350)	–	–	(25,350)
Share issue costs-broker warrants	–	(5,207)	5,207	–	–
Shares issued for mineral properties	180,000	8,200	–	–	8,200
Loss and comprehensive loss	–	–	–	(1,663,046)	(1,663,046)
Balance, June 30, 2019	38,120,184	5,637,864	948,971	(7,046,503)	(459,668)

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

FALCON GOLD CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended	June 30 2020 $	June 30 2019 $
Operating activities		
Net loss	(671,496)	(1,663,046)
Items not involving cash:		
Share-based compensation	117,099	–
Flow-through premium	(20,850)	–
Gain on settlement of debt	(45,582)	–
Impairment and write-off of mineral properties	148,344	1,308,291
Mineral property option payments in excess of capitalized costs	(6,170)	–
Unrealized gain on marketable securities	(25,000)	(7,800)
Write-off of accounts payable	(43,032)	–
Write-off of prepaid expenses	25,350	22,300
Changes in non-cash operating working capital:		
Amounts receivable	(27,610)	7,611
Prepaid expenses and deposits	(23,300)	40,333
Accounts payable and accrued liabilities	16,995	111,865
Net cash used in operating activities	(555,252)	(180,446)
Investing activities		
Exploration and evaluation asset expenditures	(327,809)	(48,089)
Net cash provided by used (in) investing activities	(327,809)	(48,089)
Financing activities		
Loan payable	(4,000)	99,000
Proceeds from issuance of shares and subscription receivable	633,496	150,490
Proceeds from exercised of stock options	20,000	–
Proceeds from exercised of warrants	305,750	–
Share issurance costs	(3,735)	–
Net cash provided by financing activities	951,511	249,490
Change in cash	68,450	20,955
Cash, beginning of the year	52,883	31,928
Cash, end of the year	121,333	52,883
Non-cash investing and financing activities:		
Shares issued for mineral properties	275,000	8,200

1. NATURE OF OPERATIONS AND GOING CONCERN

Falcon Gold Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on November 24, 2006 and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The Company's registered office is located at Suite 1100 – 1111 Melville Street, Vancouver BC, V6E 3V6.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2020, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of $7,717,999. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

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

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time our business, liquidity, capital resources and financial results.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of June 30, 2020. The Board of Directors approved the consolidated financial statements on October 28, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

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

Functional Currency

The presentation currency and the functional currency of the Company and its subsidiaries is the Canadian dollar

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Manhattan Minerals Inc. and 2287991 Ontario Inc.

The consolidated financial statements include the financial statements of subsidiaries subject to control by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations and comprehensive loss for the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions and balances are eliminated on consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as of the Company.

Cash

Cash includes cash on hand and deposits held at call with banks.

Mineral Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as mineral concession taxes, option payments, wages and salaries, surveying, geological consulting and laboratory costs, field supplies, travel and administration. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they are incurred.

The Company may occasionally enter into option or royalty arrangements, whereby the Company will transfer part of its mineral properties, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Exploration and Evaluation Expenditures (continued)

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

Impairment of Non-financial Assets

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

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of 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, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as at June 30, 2020 and June 30, 2019 as the disturbance to date is minimal.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes (continued)

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Consideration received from a private placement financing involving units consisting of common shares and warrants is allocated to the share capital and the warrant reserve accounts using the residual value method. The residual method first allocates the value to common shares issued in the private placements at their fair value as determined by the closing quoted bid price on the issuance date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as contributed surplus in shareholders; equity. Share issuance costs are netted against share proceeds on a pro rata basis.

Loss per Share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted income or loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the year, if they are determined to have a dilutive effect. In periods when the Company has generated a net loss, stock options and share purchase warrants are not included in the computation of diluted loss per share as they are anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Payments

Where equity-settled share options are granted to employees, the fair value of the options at the date of grant, measured using the Black-Scholes option pricing model, is charged to the statement of comprehensive loss or capitalized to mineral properties over the vesting period using the graded vesting method. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Charges for options that are forfeited before vesting are reversed from share-based payment reserve.

Where equity-settled share options are granted to non-employees, they are measured at the fair value of the goods or services received. However, if the value of goods or services received in exchange for the options cannot be reliably estimated, the options are measured using the Black-Scholes option pricing model.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, together with any consideration received.

Financial instruments

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Accounting Policy Judgments and Estimation Uncertainty

The preparation of financial statements requires the use of accounting estimates. It also requires management to exercise judgment in the process of applying its accounting policies. Estimates and judgments are regularly evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The use of judgments, estimates and assumptions affects the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The following discusses accounting policy judgments and the sources of estimation uncertainty that may result in material changes in the carrying amount of assets or liabilities within the next year:

(a) Accounting policy judgements

Impairment of Mineral Properties

In accordance with the Company's accounting policy for its mineral properties, exploration and evaluation expenditures on mineral properties are capitalized. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. The Company applies judgment to determine whether indicators of impairment exist for these capitalized costs.

Management uses several criteria in making this assessment, including the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of mineral properties are budgeted, and evaluation of the results of exploration and evaluation activities up to the reporting date.

Determining Amount and Timing of Reclamation Provisions

A reclamation provision represents the present value of estimated future costs for the reclamation of the Company's mineral properties. These estimates include assumptions as to the future activities, cost of services, timing of the reclamation work to be performed, inflation rates and interest rates. The actual cost to reclaim a mine or exploration property may vary from the estimated amounts because there are uncertainties with respect to the extent of required future remediation activities, as studies are currently ongoing, and uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mineral property. Management periodically reviews the reclamation requirements and adjusts the liability as new information becomes available and will assess the impact of new regulations and laws as they are enacted.

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Estimation Uncertainty

Share-based payments

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, interest rates and dividend yield and expected vesting dates and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

Accounting Standards Issued but Not Yet Applied

There are no IFRS or International Financial Reporting Interpretations Committee interpretations that are not yet effective that would be expected to have a material impact on the Company's consolidated financial statements.

3. MARKETABLE SECURITIES

During the year, the Company received 1,000,000 shares of International Montoro Resources Inc. ("IMT") from an option agreement entered into with IMT. The fair market value of the shares was $35,000 (Note 4). As at June 30, 2020, the common shares have a fair value of $60,000.

4. EXPLORATION AND EVALUATION ASSETS

	McCaul Hutchinson	Central Canada	Wabunk Bay	Esperanza	Bruce Lake	Camping Lake	Spitfire & Sunny	Total
Balance June 30, 2019	33,562	11,500	–	41,770	–	–	–	86,832
Acquisition costs	39,000	55,000	–	–	26,000	28,000	313,883	461,883
Option payments received in excess of carrying costs	–	–	–	–	–	(35,000)	–	(35,000)
Option payments received in excess of carrying costs	–	–	–	–	–	6,170	–	6,170
Exploration costs	–	133,154	86,526	20,048	1,730	830	12,521	254,808
Write down	–	–	(86,526)	(61,818)	–	–	–	(148,343)
Balance June 30, 2020	72,562	199,654	–	–	27,730	–	326,404	626,350

	McCaul Hutchinson	Central Canada	Wabunk Bay	Esperanza	Coomer Lake	Burton	Total
Balance June 30, 2018	7,500	9,000	6,000	22,543	–	1,308,291	1,353,334
Acquisition cost	25,500	2,500	11,200	–	22,300	–	61,500
Option payments received	–	–	(25,000)	–	–	–	(25,000)
Option payments received in excess of capitalized costs	–	–	7,800	–	–	–	7,800
Deferred exploration expenditures	562	–	–	19,227	–	–	19,789
Write down	–	–	–	–	(22,300)	–	(22,300)
Impairment	–	–	–	–	–	(1,308,291)	(1,308,291)
Balance June 30, 2019	33,562	11,500	–	41,770	–	–	86,832

4. EXPLORATION AND EVALUATION ASSETS (continued)

McCaul Hutchinson Property

The McCaul Hutchinson Property consists of a claim group located in McCaul and Hutchinson Townships, east of Atikokan in Northern Ontario. The McCaul Hutchinson Property consists of 6 unpatented mining claims consisting of 55 claim shares.

The McCaul Hutchinson Property is subject to a 1.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the McCaul Hutchinson Property by making escalating cash payments of $250,000 ($28,000 paid) and issuing 400,000 shares (100,000 issued) over a four- year period.

The Company entered into a debt settlement agreement to cover $39,000 of the second anniversary payment by issuing 650,000 shares. (Note 5(b))

Central Canada Property

The Central Canada Property consists of a claim group located in Hutchinson Township, east of Atikokan in Northern Ontario. The Central Canada Property consists of 7 unpatented mining claims consisting of 55 claim shares.

The Central Canada Property is subject to a 2.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the one-half of the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the Central Canada Property by making escalating cash payments of $141,500 and issuing 325,000 shares over a four- year period. In addition, the Company must carry out exploration and evaluation expenditures of $10,000, $20,000, $30,000 and $40,000 during years 1 through 4 respectively.

The Company entered into a debt settlement agreement to cover $21,000 of the second anniversary payment by issuing 350,000 shares. (Note 5(b))

Bruce Lake

The Bruce Lake Property consists of a claim group located in the Red Lake area of Northern Ontario. The Bruce Lake Property consists of 5 unpatented mining claims consisting of 72 claim cells.

The Bruce Lake Property is subject to a 1.5% net smelter return in favour of the previous owner of the claims. The Company may purchase the one-half of the net smelter return for an aggregate amount of $400,000 at any time prior to the commencement of production.

As of October 4, 2019. the Company had issued 500,000 common shares for the amount of $ 20,000 and paid $6,000 (Note 5(b)). The Company will pay the remaining $52,000 over a four-year period for acquiring a 100% interest in the Bruce Lake Property.

4. EXPLORATION AND EVALUATION ASSETS (continued)

Wabunk Bay Property

The Wabunk Bay Property consists of a claim group located in Earngey Township in Northern Ontario. The Wabunk Bay Property consists of 2 unpatented mining claims consisting of 19 claim shares.

The Wabunk Bay Property is subject to a 1.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the Wabunk Bay Property by making escalating cash payments of $200,000 and issuing 300,000 shares over a four- year period.

During the year ended June 30, 2018, the Company and Vatic Ventures Corp. entered into a memorandum of understanding whereby Vatic has an option to earn a 60% interest in the Wabunk Bay property by making an initial cash payment in the amount of $25,000 and a further cash payment of $275,000 before the first anniversary of the agreement. In addition, Vatic must issue an initial tranche of 200,000 shares of Vatic to the Company with each share consisting of one share and one share purchase warrant exercisable for a period of two years at $0.25 per share followed by an additional 200,000 shares prior to the first anniversary of the agreement on the same terms as the initial shares. Vatic must also incur exploration and evaluation expenditures of $750,000 within the twelve months prior to the first anniversary of the agreement.

During the year ended June 30, 2019, the Company received a non-refundable cash amount of $25,000 as contemplated by the memorandum of understanding following which the memorandum of understanding was terminated by mutual consent.

Esperanza Property

The Esperanza Property is comprised of seven mineral concessions within the Sierra de Las Minas District of La Rioja and San Luis provinces in Argentina.

The Company can earn an 80% interest in the Esperanza Property by making escalating annual payments totalling US$500,000 and issuing 4,000,000 shares over a six year period. In addition, the Company must incur exploration and evaluation expenditures of US$1,750,000 over a six year period. Subsequent to acquiring an 80% interest in the Ezperanza Property, the Company will have an option to acquire the remaining 20% of the property for a cash payment of US$4,000,000 plus a 1% net smelter royalty.

On October 15, 2019, the Company amended the option agreement to acquire the Esperanza Property. The amended agreement requires the Company to issue 5,500,000 shares and carry out exploration and evaluation expenditures of $1.6 million USD over a period of six years.

On December 12, 2019, the Company terminated the Option agreement.

Spitfire and Sunny Boy

On April 16, 2020, the Company acquired Spitfire and Sunny Boy claims in south central British Columbia. The claims are located approximately 16 kilometers east of Merritt and total 502 hectares.

As of June 2, 2020, the Company had issued 2,500,000 common shares with a fair value of $ 175,000 and paid $25,000 for acquiring 100% of the properties. In addition, the Company issued 2,500,000 warrants at $0.10 with a two year term with a fair value of $113,883. (Note 5(b))

The vendor will retain a 2% net smelter royalty (NSR). The Company will have the right to purchase 0.5 of the total NSR 1% at any time up to commencement of production for a one-time payment of $ 400,000.

4. EXPLORATION AND EVALUATION ASSETS (continued)

Coomer Lake Property

The Coomer Lake Property consists of 50 claim units located in the James Bay lowlands approximately 250 km north of Nakina, Ontario.

The Coomer Lake Property is subject to a 2.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of $1,000,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the Coomer Lake Property by making escalating cash payments of $185,000 issuing 400,000 common shares over a four- year period and incurring exploration and evaluation expenditures totalling $400,000 over a five-year period.

During the year ended June 30, 2019, the option to acquire the Coomer Lake property was terminated by mutual consent.

Camping Lake

The Camping Lake Property consists of a claim group located in Red Lake area of Northern Ontario. The Camping Lake Property consists of 5 unpatented mining claims consisting of 109 claim cells.

The Camping Lake Property is subject to a 1.5% net smelter return in favour of the previous owner of the claims. The Company may purchase the one-half of the net smelter return for an aggregate amount of $400,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the Camping Lake Property by issuing 500,000 common shares and making escalating cash payments of $65,000 over a four- year period. On October 9, 2019 the Company issued 500,000 common shares for the amount of $20,000. (Note 5(b))

During the year ended June 30, 2020, Falcon entered into an option agreement with IMT whereby IMT has the option to earn an initial 51% interest in the Camping Lake Property by assuming Falcon's underlying claim payment schedule of $65,000 over a four-year period, incurring property expenditures of $300,000 over 2 years and issuing 1.5 million shares to Falcon.

Upon exercising the option to earn an initial 51%, IMT can acquire an additional 24% interest for $500,000 cash. The agreement is subject to a 2% NSR royalty, with the original vendor at 1.5% and Falcon at 0.5%.
As of June 30, 2020. the Company had issued 500,000 shares for the amount of $ 20,000 and paid $ 8,000. (Notes 5(b))

On January 18, 2020, the Company received 1,000,000 common shares with a fair value of $35,000 from IMT. (Note 3)

Burton Property

The Burton Property consists of a 100% interest in a claim group located in Esther Township, northwest of Sudbury in Northern Ontario. The Burton Property consists of 16 unpatented mining claims and 6 patented claims covering 356 hectares in a largely contiguous block.

The Burton Property is subject to a 2.5% net smelter return and a 10% net profits interest in favour of the previous owner of the claims. The Company may purchase sixty percent of the net smelter return for an aggregate amount of $1,500,000 at any time.

4. EXPLORATION AND EVALUATION ASSETS (continued)

Burton Property (continued)

During the year ended June 30, 2012, the Company entered into a Mining Option Agreement with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation) whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of $150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of $1,200,000 over a two-year period from the date of signing of the Agreement.

As of June 30, 2015, and June 30, 2016, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property. The option for Trelawney to acquire an additional 24% interest in the Burton Property has lapsed.

During the year ended June 30, 2019, the Company identified an impairment indicator with respect to the Burton Property as there was an absence of substantive exploration expenditures over the past four fiscal years, nor are substantive exploration expenditures budgeted or planned for the coming fiscal year. Consequently, the Company recorded impairment in the amount of $1,308,291 in connection with the Burton Property.

As of June 30, 2020, the Company owns 49% of the Property and the Property remain inactive.

5. SHARE CAPTIAL

a) Authorized

Unlimited shares without par value.

b) Issued

<u>During the year ended June 30, 2020:</u>

On July 12, 2019, the Company issued 15,580,000 units at $0.025 per unit which comprise of one common share and one common share purchase warrant. Each warrant will be exercisable for one share for a period of two years at $0.05.

On July 26, 2019, the Company issued 3,100,000 units at $0.025 per unit which comprise of one common share and one common share purchase warrant. Each warrant will be exercisable for one share for a period of two years at $0.05.

On October 9, 2019, the Company issued 1,000,000 common shares at $0.04 per share as partial consideration for the acquisition of mineral properties.

During the year ended June 30, 2020, the Company entered into an agreement to settle debt of $52,332 in exchange for the issue of 300,000 shares.

On December 10, 2019, the Company issued 2,085,000 flow-through units at $0.05 per unit which comprise of one common share and one-half share purchase warrant. Each warrant will be exercisable for one share for a period of two years at $0.075.

On January 17, 2020, the Company issued 250,000 common shares to the former CFO of the Company to settle debt of $12,500.

(Expressed in Canadian Dollars)

5. SHARE CAPTIAL (continued)

On May 12, 2020, the Company issued 1,000,000 common shares at $0.06 per share as partial consideration for the acquisition of mineral properties.

On May 22, 2020, the Company issued 2,096,634 units at $0.075 per unit which comprise of one common share and one common share purchase warrant. Each warrant will be exercisable for one share for a period of two years at $0.10. The Company has allocated the fair value of $10,484 to the warrants using the residual value method.

On June 2, 2020, the Company issued 2,500,000 common shares at $0.07 per share and 2,500,000 common share purchase warrants with a fair value of $113,883 as partial consideration for the acquisition of mineral properties.

During the year ended 2020, the Company issued 6,115,000 shares for warrants exercised and 400,000 shares for options exercised.

During the year ended June 30, 2019:

On July 11, 2018, the Company issued 30,000 shares at $0.04 per share as partial consideration for the acquisition of mineral properties.

On October 11, 2018, the Company issued 50,000 shares at $0.04 per share as partial consideration for the acquisition of mineral properties.

On November 7, 2018, the Company issued 5,024,000 shares at $0.035 per share which is comprised of one share and one share purchase warrant. Each warrant will be exercisable for one share for a period of two years at $0.05. Finders' fees have been paid and consist of $25,350 and 150,000 broker warrants exercisable for shares on the same basis as the subscribers.

On April 25, 2019, the Company issued 100,000 shares at $0.05 per share as partial consideration for the acquisition of mineral properties.

6. SHARE PURCHASE WARRANTS

The following share purchase warrants entitle the holders thereof the right to purchase one share for each share purchase warrant. Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2018	24,282,272	$ 0.09
Issued	5,024,000	$ 0.05
Expired	(12,092,272)	$ 0.10
Balance June 30, 2019	17,214,000	$ 0.07
Issued	24,319,134	$ 0.06
Exercised	(6,115,000)	$ 0.05
Expired	(7,770,000)	$ 0.06
Balance June 30, 2020	27,648,134	$ 0.07

(Expressed in Canadian Dollars)

6. SHARE PURCHASE WARRANTS (continued)

The following warrants are outstanding at June 30, 2020:

Number of warrants	Exercise price per warrant	Expiry date
2,454,000	$ 0.05	November 7, 2020
4,420,000	$ 0.10	May 18, 2021
13,100,000	$ 0.05	July 12, 2021
2,035,000	$ 0.05	July 26, 2021
1,042,500	$ 0.08	December 12, 2021
2,096,634	$ 0.10	May 22, 2022
2,500,000	$ 0.10	June 2, 2022
27,648,134		

7. SHARE BASED PAYMENTS

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (the “Exchange”) under which it is authorized to grant options to directors, officers, employees and consultants to purchase shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding shares. Each stock option granted is for a term not exceeding five years unless otherwise specified. Outstanding options vest immediately at date of grant. Options granted to investor relations personnel vest in accordance with Exchange regulations.

The fair values of these options were determined on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2020	2019
Share price at grant date	$0.035 - $0.04	$0.04
Risk free interest rate	0.43% - 1.55%	2.18%
Expected life	2 – 5 years	5 years
Expected volatility	135% - 150%	235%
Expected dividend	-	-

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

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2018	2,680,000	$ 0.15
Balance June 30, 2019	2,680,000	$ 0.15
Issued	4,000,000	$ 0.05
Exercised	(400,000)	$ 0.05
Expired/canceled	(2,680,000)	$ 0.07
Balance, June 30, 2020	3,600,000	$ 0.06

(Expressed in Canadian Dollars)

7. SHARE BASED PAYMENTS (continued)

As at June 30, 2020, the Company had stock options outstanding enabling holders to acquire the following:

Number of options	Exercise price per option	Expiry date
250,000	$0.10	September 7, 2021
1,200,000	$0.05	April 3, 2022
400,000	$0.06	May 1, 2023
1,550,000	$0.05	August 23, 2024
200,000	$0.05	January 15, 2025
3,600,000		

The weighted average remaining contractual life of options outstanding at June 30, 2020 was 3.02 years (2019 – 2.71 years).

8. RELATED PARTY TRANSACTIONS

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

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

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

	2020	2019
	$	$
Management fees	113,500	82,125
Consulting	–	41,500
Share-based compensation	47,420	–

Accounts payable and accrued liabilities include $50,005 (2019 - $203,197) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

The Company paid or accrued $15,500 (2019 - $46,125) in management fees to the former president of the Company; $12,000 (2019 - $36,000) to the former CFO of the Company; $15,000 to directors of the Company; and $71,000 (2019 - $Nil) to the CEO of the Company.

During the year ended June 30, 2020 the Company issued 250,000 common shares to the former CFO of the Company to settle accounts payable of $12,500, the remaining balance owing of $74,102 was assigned by the former CFO to an unrelated party.

9. RISK MANGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business.

The Company currently has no source of revenues, and therefore is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2020. The Company is not subject to externally imposed capital requirements.

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

(a) Credit risk

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure is as follows:

	June 30, 2020	June 30, 2019
Cash	$ 121,333	$ 52,883

The credit risk associated with cash is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment - grade rating issued by a primary ratings agency.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company has insufficient cash to meet its requirements for administrative overhead, to conduct due diligence on mineral property acquisition targets, and to conduct exploration of its mineral properties and mineral properties that may be acquired.

The Company does not generate cash flows from operations to fund its activities and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

(Expressed in Canadian Dollars)

9. RISK MANGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

- Interest rate risk

  The Company's cash consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of June 30, 2020. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

- Foreign currency risk

  During the year ended June 30, 2020, the Company was not exposed to material foreign currency risk.

- Other price risk

  Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk. The Company's marketable securities are exposed to other price risk.

10. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

		2020		2019
Loss before income taxes	$	(671,496)	$	(1,663,046)
Statutory tax rates		27.00%		26.00%
Recovery based on statutory rates		(181,000)		(423,000)
Non-deductible expenses and other items		157,000		(33,000)
Change in effective tax rate		(56,000)		-
Change in unrecognized deferred tax assets		80,000		456,000
Deferred income tax recovery	$	-	$	-

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets and liabilities are summarized as follows:

		2020		2019
Non-capital loss carry-forwards	$	1,282,000	$	1,114,000
Share issuance costs		8,000		10,000
Capital property		13,000		13,000
Mineral property		391,000		480,000
		1,694,000		1,617,000
Offset against deferred tax liabilities		-		-
Unrecognized deferred tax asset		(1,694,000)		(1,617,000)
Deferred tax assets	$	-	$	-

10. INCOME TAXES (continued)

The Company has accumulated Canadian non-capital losses of $4,749,000 up to June 30, 2020 for income tax purposes, which may be deducted in the calculation of taxable income in future years. These losses will expire between the years 2027 to 2040. The Company has US tax losses of $150,000 expiring 2030 to 2039.

11. SUBSEQUENT EVENTS

On July 10, 2020, the Company granted 1,600,000 stock options exercisable at $0.125 per share expiring on July 10, 2023 to officer and directors of the company.

On July 13, 2020, the Company issued 5,750,000 shares at $0.08 per share. Each share is comprised of one common share and one purchase warrant. Each warrant will be exercisable for one share for a period of three years at $0.12.

On July 14, 2020, the Company staked 57 claims to its Camping Lake Property. The new claims add approximately 1,200 hectares ("ha") to the Camping Lake Property that is located near the Red Lake gold camp in northwestern Ontario and increases the project size to 3,400 hectares of contiguous mining units.

On July 14, 2020, the Company received 650,000 common shares from Portofino Resources Inc. for Bruce Lake assignment. The Company will retain a 0.5% Net Smelter Royalty on the Bruce Lake project.

On July 23, 2020, the Company staked an additional 7,477 hectares of mineral claims consisting of 369 units in Atikokan gold camp. It increases the Company's land position to 10,392 hectares and additional 507mining units.

On August 21, 2020, the Company granted 1,000,000 stock options exercisable at $0.135 per share expiring on August 21, 2025 to directors of the Company.

On August 25, 2020, the Company acquired 4,440 hectares of mining land 110 kilometers ("km") northeast of Red Lake, ON in the Birch-Uchi Greenstone Belt on Springpole Lake. The Company's new Springpole West Property comprises 197 claims containing 217 units and extends from McNaughton Township.

Subsequent to June 30, 2020, the Company issued 10,942,300 shares for gross proceeds of $639,280 for warrants and options exercised.