

# GSP RESOURCE CORP

Condensed Interim Financial Statements

Three months ended August 31, 2019

Expressed in Canadian Dollars

[Unaudited – prepared by management]

# **GSP RESOURCES CORP**

1610 – 777 Dunsmuir Street, Vancouver, B.C., V7Y 1K4  
Telephone (604) 619 7469

## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim financial statements.

## GSP RESOURCE CORP

Condensed Interim Statement of Financial Position  
Expressed in Canadian dollars  
[Unaudited – prepared by management]

As at	August 31, 2019	May 31, 2019
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	479,225	523,819
GST receivable	7,463	22,275
Prepaid expense	5,819	6,019
<b>Total current assets</b>	<b>492,507</b>	<b>551,913</b>
<b>Reclamation bond (Note 4)</b>	<b>12,000</b>	<b>-</b>
<b>Exploration and evaluation assets (Note 5)</b>	<b>377,360</b>	<b>368,408</b>
<b>Total assets</b>	<b>881,867</b>	<b>920,321</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	5,176	-
Due to related parties	-	-
Flow-through share premium	22,400	24,260
<b>Total current liabilities</b>	<b>27,576</b>	<b>24,260</b>
<b>Total liabilities</b>	<b>27,576</b>	<b>24,260</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 6)</b>	<b>953,801</b>	<b>953,801</b>
<b>Reserves (Note 6)</b>	<b>196,119</b>	<b>196,119</b>
<b>Deficit</b>	<b>(295,629)</b>	<b>(253,859)</b>
<b>Total shareholders' equity</b>	<b>854,291</b>	<b>896,061</b>
<b>Total liabilities and shareholders' equity</b>	<b>881,867</b>	<b>920,321</b>

Note 1 - Nature of operations and going concern  
Note 8 - Commitments

These financial statements are authorized for issue by the Board of Directors on October 4, 2019:

They are signed on the Company's behalf by:

"Simon Dyakowski"  
Director

"Chris Dyakowski"  
Director

The accompanying notes are an integral part of these financial statements

## GSP RESOURCE CORP

Condensed Interim Statement of Loss and Comprehensive Loss  
Expressed in Canadian dollars, except for number of shares  
[Unaudited – prepared by management]

	Three Months Ended August 31, 2019	Three Months Ended August 31, 2018
	\$	\$
<b>General and administrative expenses</b>		
Filing and transfer agent fees	7,796	-
Insurance	1,000	-
Management fees (Note 7)	15,000	-
News releases	2,488	-
Office and miscellaneous	2,922	43
Professional fees	9,101	12,200
Rent	4,500	-
Travel and promotion	823	-
Loss before income taxes	43,630	12,243
Deferred tax expense (recovery)	(1,860)	-
<b>Net loss and comprehensive loss for the period</b>	<b>41,770</b>	<b>12,243</b>
<b>Basic and diluted loss per share</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares</b>		
- Basic and diluted	10,601,500	6,550,000

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## GSP RESOURCE CORP

Condensed Interim Statement of Cash Flows  
Expressed in Canadian dollars  
[Unaudited – prepared by management]

	Three Months Ended August 31, 2019	Three Months Ended August 31, 2018
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(41,770)	(12,243)
Items not affecting cash		
Deferred tax expense (recovery)	(1,860)	-
Changes in non-cash working capital items:		
GST receivable	18,556	(1,260)
Prepaid expenses	(3,545)	-
Accounts payable and accrued liabilities	5,176	33,364
Due to related parties	-	(383)
<b>Net cash flows derived from (used in) operating activities</b>	<b>(23,443)</b>	<b>19,578</b>
<b>Investing activities</b>		
Reclamation bond (Note 4)	(12,000)	-
Exploration and evaluation assets investments (Note 5)	(8,951)	(15,454)
<b>Net cash flows used in investing activities</b>	<b>(20,951)</b>	<b>(15,454)</b>
<b>Financing activities</b>		
Deferred finance costs	-	(58,157)
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>58,157</b>
<b>Increase in cash</b>	<b>(44,394)</b>	<b>(54,033)</b>
<b>Cash, beginning of period</b>	<b>523,619</b>	<b>244,452</b>
<b>Cash, end of period</b>	<b>479,225</b>	<b>190,419</b>

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## GSP RESOURCE CORP

Condensed Interim Statements of Changes in Equity  
Expressed in Canadian dollars, except for number of shares  
[Unaudited – prepared by management]

	Common shares		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance, May 31, 2018	6,550,000	364,250	-	(28,272)	335,978
Net loss and comprehensive loss for the year	-	-	-	(12,243)	(12,243)
Balance, August 31, 2018	6,550,000	384,250	-	(40,515)	323,735
Shares issued for cash pursuant to Initial Public offering (Note 6)	3,776,500	805,300	-	-	805,300
Share issuance costs	75,000	(200,749)	33,512	-	(167,237)
Flow through share premium (Note 6)	-	(50,000)	-	-	(50,000)
Shares issued for mineral property (Notes 5, 6)	200,000	35,000	-	-	35,000
Stock based compensation (Note 6)	-	-	162,607	-	162,607
Net loss and comprehensive loss for the year	-	-	-	(225,587)	(225,587)
Balance, May 31, 2019	10,601,500	953,801	196,119	(253,859)	896,061
Net loss and comprehensive loss for the year	-	-	-	(41,770)	(41,770)
Balance, August 31, 2019	10,601,500	953,801	196,119	(295,629)	854,291

The accompanying notes are an integral part of these financial statements

# GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

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## 1. Nature and Continuance of Operations and Going Concern

The Company was incorporated on February 19, 2018 under the Business Corporations Act (British Columbia) under the name GSP Resource Corp. The Company's principal business activity is the exploration of mineral properties. The Company currently conducts substantially all of its operations in Canada in one business segment.

On February 23, 2018, the Company entered into an option agreement to acquire a 100% interest in 25 mineral claims located in the Similkameen Mining Division in the Province of British Columbia. (See Note 5)

The head office and principal address of the Company is located at 1610 – 777 Dunsmuir Street, Vancouver, B.C., V7Y 1K4

The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and exploration costs is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

These financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company emphasises that attention should be drawn to 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 the most significant of these being the Company's ability to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future. Other uncertainties include the fact that the Company is currently in the exploration stage for its interests in the Olivine Mountain property in British Columbia, Canada (see Note 3), the economic viability of which have not been fully assessed. The Company has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of capitalized costs on the Olivine Mountain property is uncertain and dependent upon projects achieving commercial production or sale. The outcome of these matters cannot be predicted at this time. The Company is considering a number of alternatives to secure additional capital including obtaining funding facilities or equity financings. Although management intends to secure additional financing there is no assurance management will be successful or that it will establish future profitable operations. These factors together raise substantial doubt about the Company's ability to continue as a going concern.

	August 31 2019	May 31 2019
Deficit	\$ (295,629)	\$ (253,859)
Working capital	\$ 464,931	\$ 527,853

If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such amounts would be material.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

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### **2. Significant Accounting Policies**

#### **Statement of Compliance**

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standard 34 – *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). They do not include all of the information required for full annual financial statements.

The financial statements were approved by the Board of Directors of the Company on October 4, 2019.

#### **Basis of presentation**

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting.

#### **New accounting standard and interpretation**

The Company adopted the following new accounting standard and interpretation:

IFRS 16, Leases (effective January 1, 2019) introduced new requirements for the classification and measurement of leases. Under IFRS 16, a lessee no longer classifies leases as operating or financing and records all leases on the condensed consolidated statement of financial position, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has applied a modified retrospective transition approach. The Company does not have any leases, and as a result, this standard had no impact on the Company’s condensed consolidated interim financial statements on adoption.

IFRIC 23, Uncertainty over Income Tax Treatments (effective January 1, 2019) provides guidance when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered separately; assumptions made about the examination of tax treatments by tax authorities; the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates; and, the impact of changes in facts and circumstances. This interpretation did not have an impact on the Company’s condensed consolidated interim financial statements.

Commencing June 1, 2018, the Company adopted IFRS 9. The adoption of this new accounting standard did not have material impact to the Company’s financial statements.

IFRS 9 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 Financial Instruments. The new standard contains three classifications for financial assets: measured at amortized cost, fair value through other comprehensive income (“FVTOCI”), and fair value through profit and loss (“FVTPL”). The new standard eliminates the previous IAS 39 categories of held to maturity, loan and receivables, and available for sale.

Recognition and Measurement for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. Requirements for financial

## GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

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### .2. Significant Accounting Policies (cont'd...)

#### New accounting standard and interpretation (cont'd...)

liabilities are largely carried forward from the existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

Following is the new accounting policy for financial instruments under IFRS 9:

#### (i) Classification

The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL.

For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	IAS 39 Classification	IFRS 9 Classification
<b>Financial Assets</b>		
Cash	FVTPL	Amortized cost
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Due to related party	Other liabilities	Amortized cost

There were no adjustments to the carrying amount of financial instruments as a result of the change in classification from IAS 39 to IFRS 9.

#### (ii) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

#### (iii) Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company shall recognize in the Consolidated Statements of Loss and Comprehensive Loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

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### **.2. Significant Accounting Policies (cont'd...)**

#### **Accounting standards issued but not yet adopted**

The Company has not applied the following amendment that has been issued but is not yet effective: Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. The Company has not elected to apply this amendment early.

#### **Cash**

Cash consists of cash on hand and deposits in banks with no restrictions. Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at August 31, 2019.

#### **Exploration and evaluation assets**

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets. Such costs include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

#### **Mining exploration tax credit**

Mining tax credits are recorded as a reduction of the related deferred exploration expenditures upon receipts from the Canada Revenue Agency ("CRA"). These non-repayable mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures

#### **Asset retirement obligation**

Provisions for the decommissioning, restoration and rehabilitation are recognized in other liabilities when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of capital will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material. Upon initial recognition of the liability, the corresponding costs are added to the carrying amount of the related asset and amortized as an expense, using a systematic method, over the economic life of the asset. Following initial recognition of the asset retirement obligation, the carrying amount of the liability is adjusted annually for the passage of time and changes to the amount or timing of the underlying cash flows needed to settle the obligation. The Company performs evaluations to identify onerous contracts and, where applicable, records provisions for such contracts. The Company does not have any asset retirement obligation as at August 31, 2019.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

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### **2. Significant Accounting Policies (cont'd...)**

#### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

#### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects.

#### **Flow-through shares**

Flow-through shares expenditure deductions for income tax purposes related to exploratory activities funded by flow-through equity instruments are renounced to investors in accordance with income tax legislation. The proceeds from issuance are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A flow through share premium liability is recognized for this difference and included in deferred tax recovery at the time the qualifying expenditures are made.

A deferred tax liability equal to the tax value of flow-through expenditures renounced is recognized once the Company has fulfilled its obligations associated with the renunciation of related flow-through expenditures. In respect of a retrospective renunciation, such obligation is considered to have been fulfilled when eligible expenditures have been incurred and management establishes the intent to make renunciation filings with the appropriate taxation authorities. In respect of prospective renunciation (i.e., a look-back renunciation), the obligation is considered to be fulfilled once related flow-through expenditures have been incurred.

#### **Share issuance costs**

Professional, consulting, regulatory and other costs directly attributable to equity financing transactions are recorded as deferred share issue costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred share issue costs related to financing transactions that are not completed are charged to expenses.

#### **Share based payments**

Share based payments to directors, officers and consultants are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. The corresponding amount is recorded to the contributed surplus. The Company applies the fair value method of accounting for share-based payments and the fair value is calculated using the Black-Scholes option pricing model.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

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### **2. Significant Accounting Policies (cont'd...)**

#### **Loss per share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

#### **Deferred financing costs**

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

#### **Income taxes**

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive loss except to the extent it relates to items recognized directly in equity.

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

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

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### **3. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgment is used mainly in determining how a balance or transaction should be recognized in the financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

Significant areas where management's judgment has been applied include:

- **Impairment of exploration and evaluation assets (E&E assets)**  
In accordance with the Company's accounting policy, the Company's E&E assets are evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset or cash generating group of assets is measured at the higher of fair value less costs to sell and value in use.

The evaluation of asset carrying values for indications of impairment includes consideration of both external and internal sources of information, including such factors as market and economic conditions, metal prices, future plans for the Company's mineral properties and mineral resources and/or reserve estimates.

Management has assessed for impairment indicators for the Company's E&E assets as of August 31, 2019 and May 31, 2019 and has concluded that no indicators of impairment were identified, and the Company plans to continue with its objective of developing the Olivine Mountain Mineral Property.

- **Going concern assessment**  
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, meet its liabilities for the ensuing year as they fall due, and to fund planned and contractual exploration programs, involves judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

Significant areas requiring the use of management estimates and assumptions include:

- **Fair value calculation of stock-based compensation**

The fair value of share-based payments in relation to the agent warrants and options granted is calculated using a Black Scholes option pricing model. There are a number of estimates used in the calculation such as the expected option life and the future price volatility of the underlying security which can vary from actual future events. The factors applied in the calculation are management's best estimates based on industry average and future forecasts.

## GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

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### 3. Significant accounting judgments and estimates (cont'd...)

- Current and deferred tax taxation  
Estimations of the tax asset or liability require assessments to be made based on the potential tax treatment of certain items that will only be resolved once finally agreed with the relevant tax authorities. Assumptions underlying the composition of deferred tax assets and liabilities include estimates of future financial performance and the timing of reversal of temporary differences as well as the tax rates and laws in each respective jurisdiction at the time of the expected reversal. As of August 31, 2019, the Company has recorded deferred tax liability of \$Nil (May 31, 2019 - \$Nil).

### 4. Reclamation bond

As at August 31, 2019 a reclamation bond in the amount of \$12,000 is held with the British Columbia Ministry of Energy and Mines.

### 5. Exploration and Evaluation Assets

#### Olivine Mountain Property, Similkameen Mining Division, British Columbia

On February 23, 2018, the Company entered into an option agreement to acquire a 100% interest in 25 mining claims located in the Similkameen Mining District of British Columbia. To acquire the 100% interest, the Company must make cash payments of \$105,000, issue 200,000 of the Company's common shares and incur aggregate minimum exploration expenditure of \$300,000 on the Olivine Property as follows:

Date	Cash	Shares	Minimum Exploration Expenditures
Within 10 days after execution and delivery of the Agreement (paid)	\$ 15,000	-	-
Within 10 days of the "Listing Date" (November 29, 2018), which is five days after the date of the final TSXV bulletin approving the listing of the Company's Common Shares and the acceptance by the TSXV of the Option Agreement. (paid and issued)	\$ 20,000	200,000	-
Six-month anniversary of the Listing Date (paid)	\$ 20,000	-	-
Twelfth-month anniversary of the Listing Date	\$ 25,000	-	\$100,000
Eighteenth month anniversary of the Listing Date	\$ 25,000	-	-
Twenty-fourth month anniversary of the Listing Date	-	-	\$200,000
	<u>\$ 105,000</u>	<u>200,000</u>	<u>\$300,000</u>

During the term of the option, the Company is required to keep the claims in good standing.

These claims are also subject to a 2% Net Smelter Return ("NSR") Royalty payable commencing from the date upon which the Property is put into commercial production, 100% of which can be acquired at a purchase price of \$1,00,000 for each one-half (50%) of the NSR Royalty, leaving the Optionor with no NSR Royalty after payment of \$2,000,000.

## GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

### 5. Exploration and Evaluation Assets (cont'd...)

Expenditures related to the property can be summarized as follows:

	May 31, 2019	Additions	August 31, 2019
	\$	\$	\$
<b>Acquisition costs</b>			
<b>Additions during the period</b>			
Property option payments - cash	55,000	-	55,000
Property option payments - shares	35,000	-	35,000
Other claims - cash	991	-	991
	90,991	-	90,991
<b>Exploration costs</b>			
<b>Additions during the period</b>			
Airborne geophysical survey	85,000	-	85,000
Assessment report	6,554	-	6,554
Fieldwork	7,609	-	7,609
Geological consulting	5,006	1,904	6,910
Geological survey	1,375	-	1,375
Laboratory analysis	46,396	231	46,627
Permitting	-	3,550	3,550
Project management (Note 7)	28,109	-	28,109
Road clearing	-	1,000	1,000
Soil sampling	36,315	-	36,315
Technical report	23,792	-	23,792
Travel, supplies and field expenses	37,262	2,266	39,528
	277,417	8,951	286,369
<b>Balance, end of period</b>	368,408	8,951	377,360

### 6. Share Capital

#### a) Authorized:

Unlimited number of common shares with no par value.

#### b) Issued and Outstanding

As at August 31, 2019, 10,601,500 (May 31, 2019 – 10,601,500) common shares with no par value were issued and outstanding.

During the year ended May 31, 2019, the Company issued common shares of the Company (the "Shares") as follow:

- On November 29, 2018, the Company completed an Initial Public Offering ("IPO", "Offering"), whereby the Company issued an aggregate of 2,776,500 Shares of the Company at a price of \$0.20 per Share for gross proceeds of \$555,300 and 1,000,000 flow-through common shares of the Company (the "FT Shares") at a price of \$0.25 per FT Share for gross proceeds of \$250,000. Each FT Share is a Share of the Company that qualifies as a "flow-through share" within the meaning of the Tax Act.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

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### **6. Share Capital (cont'd...)**

#### **b) Issued and Outstanding (cont'd...)**

The Company paid the agent a cash commission of \$64,424, a corporate finance fee of \$15,000, and issued 75,000 common shares. Upon the closing of IPO, the Company also issued 302,120 warrants to the agent at fair value of \$33,512 (Note 6e). Remaining share issue costs of \$113,190 were incurred for legal, accounting and filing fees associated with the IPO.

- On February 12, 2019, the Company issued 200,000 common shares pursuant to the option agreement of the Olivine Mountain Property at a fair value of \$0.175 per common share (Note 5).

During the period from incorporation on February 19, 2018 to May 31, 2018 the Company completed the following private placements and issued Common Shares of the Company (the "Shares") as follow:

- 1,850,000 Shares at a price of \$0.005 per Share for gross proceeds of \$9,250.
- 2,300,000 flow-through Common Shares of the Company (the "FT Shares") at a price of \$0.05 per FT Share for gross proceeds of \$115,000. Each FT Share is a Common Share of the Company that qualifies as a "flow-through share" within the meaning of the Tax Act.
- 2,400,000 Shares at \$0.10 per Share for gross proceeds of \$240,000.

#### **c) Escrow shares**

As at August 31, 2019 and May 31, 2019 the Company has 4,912,500 common shares held in escrow. Common shares held in escrow are released as follows:

- 10% were released on the date the Company's securities were listed on a Canadian exchange (655,000 released on November 29, 2018); and
- 15% (982,500 common shares) released every six months thereafter, subject to acceleration provisions provided for in National Policy 46-201 – *Escrow for Initial Public Offerings*.

#### **d) Flow-through shares**

During the period from incorporation on February 19, 2018 to May 31, 2018 the Company issued 2,300,000 common shares on a flow-through basis at a price of \$0.05 per share for gross proceeds of \$115,000 (see Note 6b). The Company recognized a liability on flow-through shares of \$Nil.

The Company has incurred and renounced the total proceeds of \$115,000 as of December 31, 2018.

On November 29, 2018, the Company completed an initial public offering of its shares and issued 1,000,000 common shares on a flow-through basis at a price of \$0.25 per share for gross proceeds of \$250,000 (see Note 6b) and recognized a premium liability on flow-through shares of \$50,000.

## GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

### 6. Share Capital (cont'd...)

#### d) Flow-through shares (cont'd...)

The Company incurred and renounced \$80,000 as of December 31, 2018 and the remaining \$170,000 was renounced under look-back rule effective on December 31, 2018. As at August 31, 2019, the Company has incurred approximately \$58,000 (May 31, 2019 - \$49,000) of qualified expenditures. The Company has approximately \$112,000 (May 31, 2019 - \$121,000) unspent flow-through proceeds which management expected to fully spend by December 31, 2019. During the three months ended August 31, 2019 the incurred expenditures resulted in a \$1,860 (fiscal year ended May 31, 2019 - \$25,740) reversal of the flow-through share premium liability. As at August 31, 2019, the flow-through share premium liability is \$22,400 (May 31, 2019 - \$24,260).

#### e) Agent Warrants

The following is a summary of agents' warrant transactions for the three months ended August 31, 2019 and for the year ended May 31, 2019:

	August 31, 2019		May 31, 2019	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of the period	302,120	0.20	-	-
Issued (Note 6b)	-	-	302,120	\$0.20
Warrants outstanding, end of the period	302,120	0.20	302,120	\$0.20

Issuance Date	Number Outstanding	Exercise Price	Expiry Date
November 29, 2018	302,120	\$0.20	November 29, 2020

The fair value of warrant granted was calculated using Black-Sholes option pricing model for a cumulative total of \$33,512, which was recorded against contributed surplus. The following assumptions were used in the Black-Sholes model to determine the fair value of the warrants granted were as follows:

Risk-free interest rate	2.19%
Expected dividend yield	-
Expected volatility	105.50%
Expected terms in years	2 years

## GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

### 6. Share Capital (cont'd...)

#### f) Stock options

The Company's Plan allows the directors to grant stock options to directors, officers, employees and consultants to purchase up to a total of 10% of the issued and outstanding common shares, provided that stock options in favour of any one individual may not exceed 5% of the issued and outstanding common shares, calculated at the date of the grant. No more than an aggregate of 2% of the issued shares of the Company, calculated at the date the option is granted, may be granted to all employees, and no more than an aggregate of 2% may be granted to all employees and/or consultants conducting investor relates activities. No stock option granted under the Plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

The exercise price of all stock options granted under the Plan must not be less than the Discounted Market Price (the last closing price of the listed shares before the date of the grant less the applicable discount), and the maximum term of each stock option may not exceed ten years. Vesting is provided at the discretion of the directors and once vested; options are exercisable at any time.

	August 31, 2019		May 31, 2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of the period	975,000	0.20	-	-
Issued	-	-	975,000	0.20
Cancelled	(37,500)	0.20	-	-
Options outstanding, end of the period	937,500	0.20	975,000	0.20

On November 29, 2018 the Company granted 900,000 incentive stock options to directors, officers and consultants, vesting immediately and exercisable on or before November 29, 2023 at a price of \$0.20 per share.

The fair value of the options granted was calculated using Black-Scholes option pricing model for a cumulative total of \$157,538, which was recorded as stock-based compensation expense in the statement of loss and comprehensive loss. The following assumptions were used in the Black-Scholes model to determine the fair value of the warrants granted were as follows:

Risk-free interest rate	2.23%
Expected dividend yield	-
Expected Volatility	134.70%
Expected terms in years	5 years

On April 11, 2019 the Company granted 75,000 incentive stock options to a consultant, exercisable on or before April 11, 2024 at a price of \$0.20 per share. 25% vested immediately and 25% vests every three months thereafter. On August 6, 2019, 37,500 options have been cancelled. As at August 31, 2019, 37,500 (May 31, 2019 – 18,750) options are exercisable. See "Subsequent events" Note 11.

## GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

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### 6. Share Capital (cont'd...)

#### f) Stock options (cont'd...)

The fair value of the options granted was calculated using Black-Scholes option pricing model. As at May 31, 2019 the Company recorded \$5,069 as stock-based compensation expense in the statements of loss and comprehensive loss. See subsequent events (Note 11).

The following assumptions were used in the Black-Sholes model to determine the fair value of the options granted were as follows:

	<b>May 31, 2019</b>
Risk-free interest rate	1.36% to 1.59%
Expected dividend yield	-
Expected Volatility	129.40% to 132.40%
Expected terms in years	5 years

### 7. Related Party Balances and Transactions

During the three months ended August 31, 2019, the Company had the following related party transactions and balances:

- (a) During the three months ended August 31, 2019, the Company has the following transactions with a company controlled by a Director and Chairman of the Board:
- According to the signed consulting agreement (the "Agreement") on December 1, 2018, the Company should pay consulting fee in the amount of \$2,000 per month effective on the date of the Agreement. During the three months ended August 31, 2019, the Company paid \$6,000 (2018: \$Nil).
  - Included in prepaid expenses as at August 31, 2019 is \$2,100 (May 31, 2019 - \$Nil) advanced to this company.
- (b) On December 1, 2018, the Company entered a consulting agreement (the "CEO Agreement") with the Company's Chief Executive Officer to provide management services for \$3,000 per month effective on the date of the CEO Agreement. During the three months ended August 31, 2019 the Company paid management fees in the amount of \$9,000 (2018: \$Nil) to the Company's Chief Executive Officer.
- (c) Included in professional fees is \$4,500 (2018 \$Nil) paid or payable to the Company's Chief Financial Officer for services rendered to the Company.
- Included in accounts payables and accrued liabilities as at August 31, 2019 is \$4,500 (May 31, 2019 - \$Nil).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 8. Commitments

See Note 5.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

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### **9. Financial Instruments**

#### *Fair value of financial instruments*

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's financial instruments are cash, accounts payable and accrued liabilities and due to related parties. All these financial instruments are carried on the statements of financial position at amortized cost. The fair values of these financial instruments approximate their carrying value due to their short-term nature.

The Company's financial instruments are exposed to certain financial risks, including liquidity risk, credit risk and interest rate risk.

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they become due. Refer to Note 1 for further details related to the ability of the Company to continue as a going concern.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2019, the Company had a cash balance of \$479,225 (May 31, 2019 - \$523,619) to settle due to related parties, accounts payable and accrued liabilities of \$5,176 (May 31, 2019 - \$Ni). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

#### *Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Company is exposed to credit-related losses in the event of non-performance by the counterparties. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

Cash is held with reputable banks in Canada. The long-term credit rating of these banks, as determined by Standard and Poor's, was A+.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. An immaterial amount of interest rate exposure exists in respect of cash balances on the statement of financial position. As a result, the Company is not exposed to material cash flow interest rate risk on its cash balances.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2019

Expressed in Canadian dollars

[Unaudited – prepared by management]

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### **10. Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. 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 sustain future development of the business.

The Olivine Mountain property claims in which the Company currently has an interest are in the exploration stage, as such the Company has historically relied on the equity markets to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The capital structure of the Company consists of shareholder's equity, comprising issued capital and deficit. The Company is not exposed to any externally imposed requirements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

### **11. Subsequent events**

On August 6, 2019, upon the termination of a consulting agreement, the Company cancelled 37,500 of the 75,000 options that were exercisable on or before April 11, 2024 at a price of \$0.20 per share. The remaining 37,500 options that had previously vested remain exercisable by the consultant for a period of 90 days thereafter, expiring as of November 4, 2019 (See Note 6f).

On October 4, 2019 the Company granted 50,000 incentive stock options to a consultant, vesting immediately and exercisable on or before October 4, 2024 at a price of \$0.20 per share.