

GSP RESOURCE CORP.

Financial Statements
(Expressed in Canadian Dollars)

Years ended May 31, 2020 and 2019

Management's Responsibility for Financial Reporting

To the Shareholders of GSP Resource Corp. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of GSP Resource Corp. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

September 25, 2020

"Simon Dyakowski"
CEO

"Kenneth Phillippe"
CFO

Independent Auditor's Report

To the Shareholders of GSP Resource Corp.:

Opinion

We have audited the financial statements of GSP Resource Corp. (the "Company"), which comprise the statements of financial position as at May 31, 2020 and May 31, 2019, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2020 and May 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates the Company had a deficit of \$523,451 at May 31, 2020, and is dependent on its ability to receive continued financial support from its related parties or to obtain public equity financing. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Vancouver, British Columbia
September 25, 2020

MNP LLP
Chartered Professional Accountants

GSP RESOURCE CORP.

Statements of Financial Position
Expressed in Canadian dollars

As at May 31	2020	2019
	\$	\$
ASSETS		
Current assets		
Cash	524,187	523,619
GST receivable	6,400	22,275
Prepaid expense	78,636	6,019
Total current assets	609,223	551,913
Reclamation bond (Note 4)	12,105	-
Exploration and evaluation assets (Note 5)	675,190	368,408
Total assets	1,296,518	920,321
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	13,070	-
Due to related parties (Note 7)	937	-
Flow-through share premium liability (Note 5)	-	24,260
Total liabilities	14,007	24,26
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	1,563,451	953,801
Reserves (Note 6)	242,511	196,119
Deficit	(523,451)	(253,859)
Total shareholders' equity	1,282,511	896,061
Total liabilities and shareholders' equity	1,296,518	920,321

Note 1 – Nature and continuance of operations and going concern

Note 7 – Commitments

These financial statements are authorized for issue by the Board of Directors on September 25, 2020:

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.

Statements of Loss and Comprehensive Loss
Expressed in Canadian dollars, except for number of shares

	Year ended May 31, 2020	Year ended May 31, 2019
	\$	\$
General and administrative expenses		
Advertising	11,365	-
Business development	20,000	3,000
Insurance	4,000	1,482
Management fees (Note 7)	64,000	30,000
News releases	6,088	2,488
Office and miscellaneous	11,051	7,404
Professional fees	67,509	31,176
Regulatory and transfer agent fees	36,929	1,628
Rent	16,500	6,000
Shareholder information	12,420	6,000
Stock based compensation (Note 6)	35,922	162,607
Travel and promotion	3,308	2,542
Website development	4,760	3,000
Loss before income taxes	293,852	251,327
Deferred tax recovery (Note 11)	(24,260)	(25,740)
Net loss and comprehensive loss for the year	269,592	225,587
Basic and diluted loss per share	(0.02)	(0.03)
Weighted average number of common shares		
- Basic and diluted	11,416,095	8,551,304

The accompanying notes are an integral part of these financial statements

GSP RESOURCE CORP.

Statements of Cash Flows
Expressed in Canadian dollars

	Year ended May 31, 2020	Year ended May 31, 2019
	\$	\$
Operating activities		
Net loss for the year	(269,592)	(225,587)
Items not affecting cash		
Stock based compensation	35,922	162,607
Deferred tax recovery	(24,260)	(25,740)
Changes in non-cash working capital items:		
GST receivable	15,875	(16,704)
Prepaid expense	(72,617)	(6,019)
Accounts payable and accrued liabilities	13,070	(5,925)
Due to related parties	937	(383)
Net cash flows used in operating activities	(300,665)	(117,751)
Investing activities		
Reclamation bond	(12,105)	-
Exploration and evaluation assets investments	(254,532)	(219,433)
Net cash flows used in investing activities	(266,637)	(219,433)
Financing activities		
Common shares issued for cash, net of share issue costs (Note 6)	567,870	616,351
Net cash flows provided by financing activities	567,870	616,351
Increase in cash	568	279,167
Cash, beginning of year	523,619	244,452
Cash, end of year	524,187	523,619

The accompanying notes are an integral part of these financial statements

GSP RESOURCE CORP.

Statements of Changes in Equity
Expressed in Canadian dollars, except for number of shares

	Common shares		Reserves	Deficit	Total
	Number	Amount			
		\$	\$	\$	\$
Balance, May 31, 2018	6,550,000	364,250	-	(28,272)	335,978
Shares issued for cash pursuant to Initial Public offering (Note 6)	3,776,500	805,300	-	-	805,300
Share issuance costs, net of taxes	75,000	(200,749)	33,512	-	(167,237)
Flow through share premium (Note 6)	-	(50,000)	-	-	(50,000)
Shares issued for mineral property (Notes 4, 5)	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
Flow-through units issued for cash (Note 6)	1,120,000	168,000	-	-	168,000
Shares issued for mineral property (Notes 5, 6)	275,000	52,250	-	-	52,250
Shares issued pursuant to exercise of warrants (Note 6)	12,705	3,950	(1,409)	-	2,541
Shares issued pursuant to unit offering, net of commission (Note 6)	2,729,837	388,329	11,879	-	397,329
Stock based compensation (Note 6)	-	-	35,922	-	35,922
Net loss and comprehensive loss for the year	-	-	-	(269,592)	(269,592)
Balance, May 31, 2020	14,739,042	1,563,451	242,511	(523,451)	1,282,511

The accompanying notes are an integral part of these financial statements

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

Expressed in Canadian dollars

1. Nature and Continuance of Operations and Going Concern

GSP Resource Corp. (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.

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 and Alwin properties in British Columbia, Canada (see Note 5), 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 and Alwin properties 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.

	May 31 2020	May 31 2019
Deficit	\$ (523,451)	\$ (253,859)
Working capital	\$ 595,216	\$ 527,653

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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. The Company has not yet experienced a material negative impact to its business, results of operations, or financial position as a result of COVID-19. The future financial effects to the Company, if any, of COVID-19 cannot be reasonably estimated at this time.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

Expressed in Canadian dollars

2. Significant Accounting Policies

Basis of presentation

The financial statements have been prepared in accordance with International Accounting Standard (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

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.

The financial statements were approved by the Board of Directors of the Company on September 25, 2020.

Adoption of new accounting standards

The Company adopted the following new accounting standard and interpretation:

IFRS 9 Financial Instruments (Amendments)

In October 2017, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 *Financial Instruments*, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2017, to address the classification of certain prepayable financial assets.

The amendments clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be eligible to be measured at either amortized cost or fair value through other comprehensive income. This classification is subject to the assessment of the business model in which the particular financial asset is held as well as consideration of whether certain eligibility conditions are met.

The amendments are adopted on June 1, 2019. The adoption of this standard did not have material impact on the Company’s financial statements or disclosures.

IFRS 16 Leases (New)

In January 2016, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) on lease accounting which was incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2016. IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduces a single lessee accounting model that requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lease assets and liabilities are initially recognized on a present value basis and subsequently, similarly to other non-financial assets and financial liabilities, respectively. The lessor accounting requirements are substantially unchanged and, accordingly, continue to require classification and measurement as either operating or finance leases. The new standard also introduces detailed disclosure requirements for both the lessee and lessor.

The amendments are adopted on June 1, 2019. The adoption did not have any impact on the Company’s financial statements or disclosures.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

Expressed in Canadian dollars

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

Adoption of new accounting standards (cont'd...)

IFRIC 23 Uncertainty over Income Tax Treatments (New)

In June 2017, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Interpretations Committee (IFRIC) interpretation, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in September 2017, to specify how to reflect the effects of uncertainty in accounting for income taxes. IAS 12 *Income Taxes* provides requirements on the recognition and measurement of current or deferred income tax liabilities and assets. However, it does not provide a specific requirement for the accounting for income tax when the application of tax law to a particular transaction or circumstance is uncertain. As a result, the interpretation aims to reduce the diversity in how entities recognize and measure a tax liability or tax asset when there is uncertainty over income tax treatments.

The amendments are adopted on June 1, 2019. The adoption did not have any impact on the Company's financial statements or disclosures.

Accounting standards issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below and include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company intends to adopt these standards and interpretations when they become effective.

Conceptual Framework for Financial Reporting (Amendment)

In March 2018, the International Accounting Standards Board (IASB) issued the revised Conceptual Framework for Financial Reporting, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in October 2018. This revised Conceptual Framework replaces the previous version of the Conceptual Framework issued in 2010. The Conceptual Framework assists entities in developing accounting policies when no IFRS Standard applies to a particular transaction and helps stakeholders to more broadly and better understand the standards.

The revised Conceptual Framework includes the following clarifications and updates:

- A new chapter on measurement;
- Guidance on reporting financial performance;
- Improved definitions and guidance, particularly for the definition of a liability; and,
- Clarifications in important areas such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The amendments are effective for annual periods beginning on or after January 1, 2020. The Company has not early adopted this standard and does not expect it to have a material impact on the Company's financial statements.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

Expressed in Canadian dollars

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

Adoption of new accounting standards (cont'd...)

IFRS 7 Financial Instruments: Disclosure (Amendment)

In September 2019, the International Accounting Standards Board (IASB) issued amendments to IFRS 7 *Financial Instruments: Disclosures*, which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2019. The amendments to IFRS 7 arise as a result of amendments made to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 9 *Financial Instruments* to provide temporary relief from applying specific hedge accounting requirements that could have resulted in the discontinuation of hedge accounting solely due to the uncertainty arising from interest rate benchmark reform. Accordingly, IFRS 7 has been amended to provide specific disclosure requirements regarding uncertainty arising from interest rate benchmark reform. The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. The Company has not early adopted this standard and does not expect it to have a material impact on the Company's financial statements.

IAS 1 Presentation of Financial Statements (Amendment) and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment)

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1 and IAS 8 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2019. The amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications. The amended definition of material states:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The Company has not early adopted this standard and does not expect it to have a material impact on the Company's financial statements.

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 May 31, 2020 and 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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

Expressed in Canadian dollars

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

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 May 31, 2020 and 2019.

Reclamation bond

Reclamation bonds are required by the British Columbia Ministry of Energy and Mines and are represented by Guaranteed Interest Certificates ("GIC") held in the Company's name at a bank. The reclamation bonds cannot be withdrawn by the Company without the consent of the Ministry of Natural Resources.

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.

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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

Expressed in Canadian dollars

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

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 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.

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.

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 Financial Statements

For the Years Ended May 31, 2020 and 2019

Expressed in Canadian dollars

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 May 31, 2020 and 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 and Alwin Mineral Properties.

- **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.

- **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 May 31, 2020, the Company has recorded deferred tax liability of \$Nil (May 31, 2019 - \$Nil).

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

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4. Reclamation bond

As at May 31, 2020, a reclamation bond in the amount of \$12,000, plus \$105 of accrued interest calculated at the prime bank rate less 2.70%, is held with the British Columbia Ministry of Energy and Mines.

5. Exploration and Evaluation Assets

Alwin Property, Kamloops Mining Division, British Columbia

On January 30, 2020, the Company entered into an option agreement to acquire a 100% interest in 9 mining claims located in the Similkameen Mining District of British Columbia. To acquire the 100% interest, the Company must make cash payments of \$250,000 (of which \$25,000 is paid as of May 31, 2020), issue 4,500,000 of the Company's common shares (of which 200,000 are issued as of May 31, 2020) as follows:

Date	Cash	Shares
Upon receipt of TSX Venture Exchange approval of the Option Agreement (the "Approval Date") (paid and issued)	\$ 25,000	200,000
On or before 1 st Anniversary of the Approval Date	\$ 25,000	200,000
On or before 2 nd Anniversary of the Approval Date	\$ 25,000	300,000
On or before 3 rd Anniversary of the Approval Date	\$ 50,000	400,000
On or before 4 th Anniversary of the Approval Date	\$ 50,000	500,000
On or before 5 th Anniversary of the Approval Date	\$ 75,000	900,000
On or before the earlier of a bankable feasibility study and the 8 th Anniversary of the Approval Date	\$ -	2,000,000
	<u>\$ 250,000</u>	<u>4,500,000</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 1.8% Gross Smelter Return ("GSR") Royalty to the Optionors. The Company has the option to repurchase 0.8% GSR Royalty for \$1,500,000, leaving the Optionors with a 1% GSR Royalty.

Olivine Mountain Property, Similkameen Mining Division, British Columbia

On February 23, 2018 (as amended October 17, 2019 and further amended December 24, 2019), 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 \$80,000 (of which \$55,000 is paid as of February 29, 2020), issue 275,000 of the Company's common shares (of which 275,000 are issued as of February 29, 2020) and incur aggregate minimum exploration expenditure of \$300,000 on the Olivine Property (all of which has been cumulatively expended as of February 29, 2020) as follows:

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

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	-	-
Fifteenth-month anniversary of the Listing Date (issued and incurred)	-	75,000	\$100,000
Twenty-fourth month anniversary of the Listing Date (incurred)	-	-	\$200,000
Thirtieth month anniversary of the Listing Date	\$ 25,000	-	-
	<u>\$ 105,000</u>	<u>275,000</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.

Agreement with Full Metal Minerals Ltd.

The Company entered into a letter agreement pursuant to which Full Metal Mineral Ltd has the option to earn a 60% interest in the Company's Olivine Mountain Property. The Company holds an option in good standing to acquire 100% right, title, and interest in and to the Property. The option may be exercised by Full Metal (i) incurring exploration expenditures of \$500,000 including a minimum \$75,000 within 12 months following the date upon which the Agreement is accepted by the TSX Venture Exchange. (ii) making cash payment totaling \$500,000 (\$80,000 within 12 months of the acceptance date; and (iii) issuing 250,000 common shares of Full Metal (70,000 within 12 months of the acceptance date), over the four-year Option term (Also see Note 12)

GSP RESOURCE CORP.

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

Expenditures related to the properties can be summarized as follows:

	May 31, 2018	Additions	May 31, 2019	Additions	May 31, 2020
			\$	\$	\$
Acquisition costs – additions during the year					
Alwin Project					
Property option payments - cash	-	-	-	25,000	25,000
Property option payments - shares	-	-	-	38,000	38,000
	-	-	-	63,000	63,000
Olivine Property					
Property option payments - cash	15,000	40,000	55,000	-	55,000
Property option payments - shares	-	35,000	35,000	14,250	49,250
Other claims - cash	-	991	991	-	991
	15,000	75,991	90,991	14,250	105,241
	15,000	75,991	90,991	77,250	168,241
Exploration costs – additions during the year					
Alwin Project					
Geological consulting	-	-	-	5,694	5,694
Travel, supplies and field expenses	-	-	-	1,203	1,203
	-	-	-	6,897	6,897
Olivine Property					
Airborne geophysical survey	85,000	-	85,000	-	85,000
Assessment report	-	6,554	6,564	2,000	8,554
Core cutting	-	-	-	8,050	8,050
Drilling	-	-	-	122,683	122,683
Fieldwork	1,000	6,609	7,609	-	7,609
Geological consulting	-	5,006	5,006	14,233	19,239
Geological survey	-	1,375	1,375	-	1,375
Laboratory analysis	-	46,396	46,396	20,806	67,202
Mobilization	-	-	-	8,467	8,467
Permitting	-	-	-	3,550	3,550
Project management (Note 6)	14,532	13,577	28,109	-	28,109
Road clearing	-	-	-	1,000	1,000
Soil sampling	-	36,315	36,315	-	36,315
Technical report	10,634	13,158	23,792	-	23,792
Travel, supplies and field expenses	250	37,011	37,251	41,846	79,097
	111,416	166,001	277,417	222,635	500,052
	111,416	166,001	277,417	229,532	506,949
Balance, end of year	126,416	241,992	368,408	306,782	675,190

GSP RESOURCE CORP.

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6. Share Capital

a) Authorized:

Unlimited number of common shares with no par value.

b) Issued and Outstanding

As at May 31, 2020, 14,739,042 (May 31, 2019 – 10,601,500) common shares with no par value were issued and outstanding.

During the year ended May 31, 2020 the Company issued common shares of the Company as follows:

- On November 4, 2019, the Company completed a non-brokered private placement offering by issuance of 1,120,000 flow-through units ("FT Units") at a price of \$0.15 per FT Unit for gross proceeds of \$168,000. Each FT Unit consists of one common share in the capital of the Company issued on a "CEE flow-through" basis pursuant to the Income Tax Act (Canada) and one transferable non-flow through common share purchase warrant ("Warrant"). Each whole warrant entitles the holder to purchase one non flow-through common share of the Company exercisable at a price of \$0.20 for a period of 24 months from the date of issuance, subject to an acceleration clause. The units issued were issued at a price lower than the market trading price on their respective issuance date. Accordingly, \$nil was allocated to reserves or flow-through share premium liability as fair value for the warrants under the residual value method.
- On November 26, 2019, the Company issued 12,705 common shares pursuant to the exercise of agent warrants at a price of \$0.20 per common share for gross proceeds of \$2,541.
- On February 11, 2020, the Company issued 200,000 common shares pursuant to the option agreement of the Alwin Project at a fair value of \$0.19 per common share (Note 5).
- On February 11, 2020, the Company issued 75,000 common shares pursuant to the option agreement of the Olivine Mountain Property at a fair value of \$0.19 per common share (Note 5).
- On May 21, 2020, the Company issued 2,729,837 units pursuant to a private placement at a price of \$0.15 per unit for gross proceeds of \$409,475. Each unit is comprised of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.20 per share on or before May 21, 2022. The Company paid an aggregate cash finder's fees of \$12,147 and issued 80,979 non-transferable finder warrants to certain brokers on a portion of the private placement. The finder warrants have the same terms as the share purchase warrants.

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2020 and 2019
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6. Share Capital (cont'd...)

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

During the year ended May 31, 2019, the Company issued common shares of the Company as follows:

- 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.

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. 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).

c) Escrow shares

As at May 31, 2020 the Company has 2,947,500 (2019 - 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

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 5b) and recognized a premium liability on flow-through shares of \$50,000.

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 May 31, 2020, the Company has incurred additional qualified expenditures of \$170,000 (May 31, 2019 - \$49,000). The Company has \$nil (May 31, 2019 - \$121,000) of unspent flow-through proceeds. As of May 31, 2019, the qualified expenditures spent during the year resulted in a \$25,740 reversal of the flow-through share premium liability and the flow-through share premium liability balance as of May 31, 2019 is \$24,260. The qualified expenditures was spent in 2020, thus reducing the liability to zero and resulted in the reversal of the \$24,260 flow-through share premium liability which has been recorded as deferred tax recovery during the year ended May 31, 2020.

GSP RESOURCE CORP.

Notes to Financial Statements
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6. Share Capital (cont'd...)

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

On November 4, 2019, the Company issued 1,120,000 common shares on a flow-through basis at a price of \$0.15 per share for gross proceeds of \$168,000 (see Note 6b). The Company renounced \$103,443 of the expenditures incurred and renounce the balance of \$64,557 unspent funds under the look-back rules as of December 31, 2019. As of May 31, 2020, the Company has incurred approximately \$108,000 of qualified expenditures leaving approximately \$60,000 as unspent flow-through proceeds to be used in fiscal 2021.

e) Warrants

The following is a summary of warrant transactions for the years ended May 31, 2020 and 2019:

	May 31, 2020		May 31, 2019	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of the year	302,120	0.20	-	-
Agent warrants issued and exercisable on or before November 29, 2020	-	-	302,120	0.20
Agent warrants exercised during year	(12,705)	0.20	-	-
Warrants issued pursuant to flow-through unit offering and exercisable on or before November 4, 2021*	1,120,000	0.20	-	-
Finder warrants issued and exercisable on before May 21, 2022	80,979	0.20	-	-
Warrants issued pursuant to private placement and exercisable on or before May 21, 2022	1,364,920	0.20	-	-
Warrants outstanding, end of the year	2,855,314	0.20	302,120	0.20

* Acceleration clause: if after four months from the date of issue, the closing price of the common shares of the Company on any stock exchange or quotation system on which the common shares are then listed or quoted is equal to or greater than \$0.40 for a period of ten (10) consecutive trading days at any time prior to the Expiry Time, the Company will have the right to accelerate the Expiry Time of the Warrants by giving notice to the holder of the Warrants by news release or other form of notice permitted by the certificate representing the Warrants that the Warrants will expire at 4:30 p.m. Vancouver time) on a date that is not less than fifteen (15) days from the date notice is given.

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

e) Warrants (cont'd...)

Warrants outstanding and exercisable as at May 31, 2020 are as follow

Number of warrants outstanding	Exercise price per warrant	Years to expiry	Expiry date
	\$		
289,415	0.20	0.50	November 29, 2020
1,120,000	0.20	1.43	November 4, 2021
1,445,899	0.20	1.97	May 21, 2022
2,885,314	0.20	1.61	

As at May 31, 2020, the warrants have a weighted average remaining life of 1.61 years (May 31, 2019 – 1.50 years).

For the year ended May 31, 2019, the fair value of 302,120 agent's warrant granted was calculated using Black-Sholes option pricing model for a cumulative total of \$33,512, which was recorded against contributed surplus. On November 26, 2019, 12,705 of the agent warrants were exercised. As at May 31, 2020, there is 289,415 agent warrants outstanding and exercisable. 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

For the year ended May 31, 2020, the fair value of 80,979 finder warrant granted was calculated using Black-Sholes option pricing model for a cumulative total of \$11,879, 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	0.30%
Expected dividend yield	-
Expected volatility	156.87%
Expected terms in years	2 years

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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

The following is a summary of stock option transactions for the years ended May 31, 2020 and 2019:

	May 31, 2020		May 31, 2019	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of the year	975,000	0.20	-	-
Granted and exercisable on or before November 29, 2023	-	-	900,000	0.20
Granted and exercisable on or before April 11, 2024	-	-	75,000	0.20
Cancelled and expired during fiscal 2020	(75,000)	0.20	-	-
Granted and exercisable on or before October 4, 2024	50,000	0.20	-	-
Granted and exercisable on or before October 30, 2024	100,000	0.20	-	-
Granted and exercisable on or before January 29, 2025	75,000	0.20	-	-
Options outstanding, end of the year	1,125,000	0.20	975,000	0.20

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

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

Stock options outstanding and exercisable as at May 31, 2020 are as follow

Number of options outstanding	Number of options exercisable	Exercise price per option	Years to expiry	Expiry date
		\$		
900,000	900,000	0.20	3.50	November 29, 2023
50,000	50,000	0.20	4.35	October 4, 2024
100,000	100,000	0.20	4.42	October 30, 2024
75,000	75,000	0.20	4.79	January 29, 2025
1,125,000	1,125,000	0.20	3.70	

As at May 31, 2020, the options have a weighted average remaining life of 3.70 years (May 31, 2019 – 4.53 years).

On November 29, 2018, the Company granted 900,000 incentive stock options to directors, officers, and consultants, vesting immediately and expire 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.

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. The fair value of the options granted was calculated using Black-Scholes option pricing model. The Company recorded \$5,069 as stock-based compensation expense in the statements of loss and comprehensive loss. As of May 31, 2019 – 18,750 options were exercisable. As of May 31, 2020, all 75,000 of these options have been cancelled.

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

On October 30, 2019, the Company granted 100,000 incentive stock options to a consultant, exercisable on or before October 30, 2024 at a price of \$0.20 per share. 50% vested immediately and 50% vested on January 30, 2020.

On January 29, 2020, the Company granted 75,000 incentive stock options to a consultant, vesting immediately and exercisable on or before January 29, 2025 at a price of \$0.20 per share.

The following assumptions were used in the Black-Scholes model to determine the fair value of the options granted during the years ended May 31, 2020 and 2019:

	May 31, 2020	May 31, 2019
Risk-free interest rate	1.32% to 1.46%	1.36% to 2.23%
Expected dividend yield	-	-
Expected Volatility	153.62% to 158.13%	129.40% to 134.70%
Expected terms in years	5 years	5 years

During the year ended May 31, 2020 the Company recorded stock-based compensation in the amount of \$35,922 (2019 - \$162,607).

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7. Related Party Balances and Transactions

During the year ended May 31, 2020, the Company had the following related party transactions and balances:

- (a) On December 1, 2018, the Company entered into a consulting agreement, with Max Investments Inc. (a company controlled by Christopher Dyakowski, a Director and Chairman of the Board) to provide management services for \$2,000 per month. During the year ended May 31, 2020 the Company paid \$24,000 (2019 - \$12,000) to Max Investments Inc.
 - The Company paid \$Nil (2019 - \$155,489) to Max Investments Inc. for project management services and other exploration expenditures related to the Olivine Mountain Property. Such amount is included in Exploration and Evaluation Assets (Note 5).
 - Included in due to related parties as at May 31, 2020 is \$937 (May 31, 2019 - \$Nil) due to Christopher Dyakowski for expenses incurred on behalf of the Company.
- (b) On December 1, 2018 (as amended April 1, 2020), the Company entered a consulting agreement (the "CEO Agreement") with Simon Dyakowski, the Company's Chief Executive Officer to provide management services for \$3,000 per month (amended to \$5,000 commencing April 1, 2020). During the fiscal year ended May 31, 2020 the Company paid management fees in the amount of \$40,000 (2019 - \$18,000) to the Company's Chief Executive Officer.
- (c) Included in professional fees is \$22,000 (2019 - \$15,000) and included in share issue costs is \$Nil (2019 - \$7,500) paid during the fiscal year ended May 31, 2020 to the Company's Chief Financial Officer (Kenneth Phillippe) for services rendered to the Company.
- (d) During the year ended May 31, 2019, the Company granted 900,000 options to its directors and officers (See Note 6f).
- (e) Included in business development is a consulting fee in the amount of \$5,000 (2019-\$nil) paid to Jordan Trimble, a director of the Company.

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 Notes 5 and 7.

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.

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9. Financial Instruments (cont'd...)

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 May 31, 2020, the Company had a cash balance of \$524,187 (2019 - \$523,619) to settle due to related parties, accounts payable and accrued liabilities of \$14,007 (2019 - \$Nil). 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.

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 and the Alwin 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.

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10. Capital Management (cont'd...)

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. There have been no changes to the Company's approach to capital management during the years ended May 31, 2020 and 2019.

11. Income Taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended May 31, 2020 and 2019:

	2020	2019
	\$	\$
Net loss before tax	(293,852)	(251,327)
Statutory tax rate	27.00%	19.56%
Expected income tax (recovery)	(79,340)	(49,164)
Change in deferred tax assets not recognized	13,752	(354)
Tax effect of flow through share premium	37,713	2,980
Change in estimate	303	-
Change in enacted tax rate	-	(11,091)
Share issuance cost	(6,487)	-
Non-deductible items	9,799	31,889
Total income tax expense (recovery)	(24,260)	(25,740)
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	(24,260)	(25,740)
Total income tax expense (recovery)	(24,260)	(25,740)

The statutory tax rate increased from 19.56% to 27.00% due to the Company changing from Small Business Corporation rate to general corporate tax rate after the IPO on November 29, 2018.

The deferred taxes assets and liabilities reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The deferred tax liability as at May 31, 2020 and 2019 are comprised of the following:

	2020	2019
	\$	\$
Non-capital losses carry forward	96,539	28,544
Exploration and evaluation assets	(135,362)	(73,389)
Financing costs	38,823	44,845
Total deferred tax liability	-	-

The deferred taxes assets and liabilities reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2020 and 2019

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11. Income Taxes (cont'd...)

The unrecognized deductible temporary differences as at May 31, 2019 and 2018 are comprised of the following:

	2020	2019
	\$	\$
Non-capital losses carry forward	106,049	55,117
Total unrecognized deductible temporary differences	106,049	55,117

The Company has not recognized a deferred tax asset in respect of the non-capital losses of approximately \$106,049 (2019 - \$55,117) which may be carried forward to apply against future income for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in year 2040.

12. Subsequent events

The Company entered into an amended letter agreement with Full Metal Mineral Ltd. to extend the acceptance date of the agreement to August 28, 2020, provided that so long as Full Metal is using commercially reasonable efforts to obtain such acceptance, Full Metal may elect to extend the termination date for up to two 30 day periods.

On July 30, 2020 the Company issued 1,333,334 common shares pursuant to a private placement at \$0.30 per share for gross proceeds in the amount of \$400,000.

On August 17, 2020 the Company granted 490,000 incentive stock options to directors, officers and consultants, vesting immediately and exercisable on or before August 17, 2025 at a price of \$0.32 per share.

Subsequent to May 31, 2020 the Company issued an additional 835,365 common shares pursuant to the exercise of warrants at \$0.20 per share for proceeds in the amount of \$167,073.