

# GSP RESOURCE CORP

Condensed Interim Financial Statements

Three months ended August 31, 2021

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, 2021	May 31, 2021
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	625,430	708,380
GST receivable	32,006	7,610
Marketable securities (Note 5)	20,000	43,000
Prepaid expense	17,733	61,077
<b>Total current assets</b>	<b>695,170</b>	<b>820,067</b>
<b>Reclamation bond (Note 4)</b>	<b>27,000</b>	<b>27,000</b>
<b>Exploration and evaluation assets (Note 5)</b>	<b>1,761,608</b>	<b>1,325,135</b>
<b>Total assets</b>	<b>2,483,778</b>	<b>2,172,202</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	10,601	19,555
Due to related parties	1,321	3,375
<b>Total current liabilities</b>	<b>11,922</b>	<b>22,930</b>
Flow through sharee premium	37,850	-
<b>Total liabilities</b>	<b>49,772</b>	<b>22,930</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 6)	3,056,204	2,756,821
Reserves (Note 6)	512,332	410,232
Deficit	(1,134,530)	(1,017,781)
<b>Total shareholders' equity</b>	<b>2,434,006</b>	<b>2,149,272</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,483,778</b>	<b>2,172,202</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 26, 2021

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, 2021	Three Months Ended August 31, 2020
	\$	\$
<b>General and administrative expenses</b>		
Business development	-	25,000
Insurance	1,500	1,000
Management fees (Note 7)	30,000	21,000
Office and miscellaneous	1,921	2,626
Professional fees	11,750	6,560
Regulatory and transfer agent fees	5,670	5,667
Rent	3,000	2,500
Shareholder information	35,615	33,544
Stock based compensation	-	130,265
Travel and promotion	4,293	2,334
Website	-	300
Loss before income taxes	93,749	230,796
Unrealized loss on marketable securities (Note 5)	23,000	
<b>Net loss and comprehensive loss for the period</b>	<b>116,749</b>	<b>230,796</b>
<b>Basic and diluted loss per share</b>	<b>(0.01)</b>	<b>(0.02)</b>
<b>Weighted average number of common shares</b>		
- Basic and diluted	19,434,169	15,252,511

The accompanying notes are an integral part of these financial statements

## GSP RESOURCE CORP

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

	Three Months Ended August 31, 2021	Three Months Ended August 31, 2020
	\$	\$
<b>Operating activities</b>		
Net loss for the period	(116,749)	(230,796)
Items not affecting cash		
Accrued interest income	-	105
Stock based compensation	-	130,265
Changes in non-cash working capital items:		
GST receivable	(24,396)	(4,656)
Prepaid expenses	43,344	(20,944)
Accounts payable and accrued liabilities	(8,954)	461
Due to related parties	(2,054)	631
<b>Net cash flows used in operating activities</b>	<b>(85,809)</b>	<b>(83,046)</b>
<b>Investing activities</b>		
Reclamation bond (Note 4)	-	(15,000)
Exploration and evaluation assets investments (Note 5)	(436,474)	(8,943)
<b>Net cash flows used in investing activities</b>	<b>(436,474)</b>	<b>(23,943)</b>
<b>Financing activities</b>		
Common shares issued for cash, net of share issue costs	439,333	421,120
<b>Net cash flows used in financing activities</b>	<b>439,333</b>	<b>421,120</b>
<b>Increase (decrease) in cash</b>	<b>(82,949)</b>	<b>314,131</b>
<b>Cash, beginning of period</b>	<b>708,380</b>	<b>524,187</b>
<b>Cash, end of period</b>	<b>625,430</b>	<b>838,318</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			
		\$	\$	\$	\$
<b>Balance, May 31, 2020</b>	14,739,042	1,563,451	242,511	(523,451)	1,282,511
Shares issued pursuant to unit offering (Note 6)	1,333,334	400,000	-	-	400,000
Shares issued pursuant to exercise of warrants (Note 6)	105,602	23,960	(2,840)	-	21,120
Stock based compensation (Note 6)	-	-	130,265	-	130,265
Net loss and comprehensive loss for the period	-	-	-	(230,796)	(230,796)
<b>Balance, August 31, 2020</b>	16,177,978	1,987,411	369,936	(754,247)	1,603,100
Flow-through units issued for cash, net of issuance costs (Note 6)	1,375,000	459,000	61,250	-	520,250
Shares issued for mineral property (Notes 5, 6)	200,000	60,000	-	-	60,000
Shares issued pursuant to exercise of warrants (Note 6)	1,094,296	250,410	(31,550)	-	218,860
Stock based compensation (Note 6)	-	-	10,596	-	10,596
Net loss and comprehensive loss for the period	-	-	-	(263,534)	(263,534)
<b>Balance, May 31, 2021</b>	18,847,274	2,756,821	410,232	(1,017,781)	2,149,272
Flow-through units issued for cash, net of issuance costs (Note 6)	1,299,999	331,200	102,100	-	433,300
Flow through share premium (Note 6)	-	(37,850)	-	-	(37,850)
Shares issued pursuant to exercise of warrants (Note 6)	30,167	6,033	-	-	6,033
Net loss and comprehensive loss for the period	-	-	-	(116,749)	(116,749)
<b>Balance, August 31, 2021</b>	20,177,440	3,056,204	512,332	(1,134,530)	2,434,006

The accompanying notes are an integral part of these financial statements

# GSP RESOURCE CORP

Notes to Condensed Interim Financial Statements

August 31, 2021

Expressed in Canadian dollars

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## 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.

	<b>August 31 2021</b>	<b>May 31 2021</b>
Deficit	\$ (1,134,530)	\$ (1,017,781)
Working capital	\$ 683,247	\$ 797,137

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 Condensed Interim Financial Statements

August 31, 2021

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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 26, 2021

#### **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 standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC; however, none have been identified as applicable or consequential to the Company.

#### **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, 2021 and May 31, 2021.

#### **Marketable securities**

Marketable securities consist of common shares of publicly-traded companies listed on the TSX Venture Exchange. Marketable securities are classified as FVTPL and are recorded at their fair values using quoted market prices at the statement of financial position date. Subsequent revaluation resulting in unrealized gains or losses is recorded in the statements of loss and comprehensive loss.

#### **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 Condensed Interim Financial Statements

August 31, 2021

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

#### **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.

#### **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, 2021 and 2020.

#### **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.

#### **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 reserves. 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, 2021

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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.

#### **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. In the case that the Company does not issue non flow-through units together with the flow-through units, the flow-through share premium is determined by using the residual method, whereby the fair value of warrants will be valued based on the Black-Scholes option-pricing model, and the flow-through share premium equal to any residual balance after the fair market price of the common shares and fair value of warrants.

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.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

#### **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

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Notes to Condensed Interim Financial Statements

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

#### **Income taxes (cont'd...)**

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.

#### **Financial instruments**

##### Financial assets

The Company classifies its financial assets in the following categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVTOCI)
- Amortized cost

The determination of the classification of financial assets is made at initial recognition. Marketable securities that are held for trading are classified as FVTPL.

The Company's accounting policy for each of the categories is as follows:

##### Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of financial assets held at FVTPL are included in the statements of loss and comprehensive loss.

##### Financial assets at FVTOCI

Financial assets carried at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive loss.

##### Financial assets at amortized cost

A financial asset is measured at amortized cost if the objective is to hold the financial asset for the collection on contractual cash flows and the asset's contractual cash flows are comprised solely of payments of principal and interest. The financial asset is classified as current or non-current based on its maturity date and is initially recognized at fair value and subsequently carried at amortized cost less any impairment.

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Notes to Condensed Interim Financial Statements

August 31, 2021

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

#### **Financial instruments (cont'd...)**

##### Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred.

The Company's accounting policy for each category is as follows:

##### Financial liabilities at FVTPL

This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statements of loss and comprehensive loss.

##### Financial liabilities at amortized cost

This category includes accounts payable and accrued liabilities and due to related parties, which are recognized at amortized cost using the effective interest method:

The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial liability, or, where appropriate, a shorter period.

Transaction costs in respect of financial liabilities at fair value through profit or loss are recognized in the statements of loss and comprehensive loss immediately while transaction costs associated with other financial liabilities are included in the initial measurement of the financial liability.

### **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.

## **GSP RESOURCE CORP**

Notes to Condensed Interim Financial Statements

August 31, 2021

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### **3. Significant accounting judgments and 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, 2021 and 2020 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 ensuring 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 August 31, 2021, the Company has recorded deferred tax liability of \$Nil (May 31, 2021 - \$Nil).

### **4. Reclamation bond**

As at August 31, 2021, reclamation bonds in the amount of \$27,000 (May 31, 2021 - \$27,000), plus accrued interest if any, is held with the British Columbia Ministry of Energy and Mines. The bonds are held with Bank of Montreal with interest rate of prime less 2.4%.

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### 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 \$50,000 is paid), issue 4,500,000 of the Company's common shares (of which 400,000 are issued) 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 <sup>st</sup> Anniversary of the Approval Date	\$ 25,000	200,000
On or before 2 <sup>nd</sup> Anniversary of the Approval Date	\$ 25,000	300,000
On or before 3 <sup>rd</sup> Anniversary of the Approval Date	\$ 50,000	400,000
On or before 4 <sup>th</sup> Anniversary of the Approval Date	\$ 50,000	500,000
On or before 5 <sup>th</sup> Anniversary of the Approval Date	\$ 75,000	900,000
On or before the earlier of a bankable feasibility study and the 8 <sup>th</sup> 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) and incur aggregate minimum exploration expenditure of \$300,000 on the Olivine Property (all of which has been incurred) as follows:

	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), (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 (paid)	\$ 25,000	-	-
	<u>\$ 80,000</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.

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

#### **Olivine Mountain Property, Similkameen Mining Division, British Columbia (cont'd...)**

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 TSX Venture Exchange accepted for filing an option agreement dated Feb. 24, 2020 (as amended on July 30, 2020, Aug. 28, 2020, Dec. 15, 2020, Feb. 1, 2021, and March 12, 2021), between Full Metal Minerals Ltd. and the Company, whereby Full Metal Minerals Ltd. has been granted an option to acquire 60 per cent of the Company’s right, title and interest in and to the Olivine Mountain property in British Columbia for consideration in the amount of \$515,000 in cash (\$65,000 in the first year) and the issuance of 350,000 shares (125,000 shares in the first year) over four years. The exploration expenditures will be \$500,000 over four years (nil in the first year). Full Metal Minerals Ltd. has completed the first cash payment of \$40,000 and issued 100,000 shares to the Company pursuant to the payment schedule in the option agreement.

As at August 31, 2021, the 100,000 common shares of Full Metal Minerals Ltd. are valued at a quoted market price of \$0.20 per share (May 31, 2021 - \$0.43) for a total of \$20,000 (May 31, 2021 – \$43,000) During the three months ended August 31, 2021 the Company recognized an unrealized loss on marketable securities of \$23,000.

## 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, 2021	Additions	May 31, 2021	Additions	August 31, 2021
	\$	\$	\$	\$	\$
<b>Acquisition costs</b>					
<b>Alwin Project</b>					
Property option payments - cash	25,000	25,000	50,000	-	50,000
Property option payments - shares	38,000	60,000	98,000	-	98,000
	63,000	85,000	148,000	-	148,000
<b>Olivine Property</b>					
Property option payments - cash	55,000	25,000	80,000	-	80,000
Property option payments - shares	49,250	-	49,250	-	49,250
Other claims - cash	991	-	991	-	991
Property option -proceeds from disposition	-	(48,000)	(48,000)	-	(48,000)
	105,241	(23,000)	82,241	-	82,241
	168,241	62,000	230,241	-	230,241
<b>Exploration costs</b>					
<b>Alwin Project</b>					
Drilling	-	356,487	356,487	259,592	616,079
Environmental consulting	-	1,230	1,230	-	1,230
Fieldwork	-	14,500	14,500	6,750	21,250
Geological consulting	5,694	127,137	132,831	76,872	209,703
Laboratory and analysis	-	32,996	32,996	29,058	62,054
Technical consulting	-	30,195	30,195	57,430	87,625
Travel, supplies and field expenses	1,203	24,500	25,703	6,771	32,474
	6,897	587,045	593,942	436,473	1,030,415
<b>Olivine Property</b>					
Airborne geophysical survey	85,000	-	85,000	-	85,000
Assessment report	8,564	-	8,564	-	8,564
Core cutting	8,050	-	8,050	-	8,050
Drilling	122,683	-	122,683	-	122,683
Fieldwork	7,609	-	7,609	-	7,609
Geological consulting	19,239	-	19,239	-	19,239
Geological survey	1,375	-	1,375	-	1,375
Laboratory analysis	67,202	900	68,102	-	68,102
Mobilization	8,467	-	8,467	-	8,467
Permitting	3,550	-	3,550	-	3,550
Project management (Note 6)	28,109	-	28,109	-	28,109
Road clearing	1,000	-	1,000	-	1,000
Soil sampling	36,315	-	36,315	-	36,315
Technical report	23,792	-	23,792	-	23,792
Travel, supplies and field expenses	79,097	-	79,097	-	79,097
	500,052	900	500,952	-	500,952
	506,949	587,945	1,094,894	-	1,531,367
<b>Balance, end of period</b>	675,190	649,945	1,325,135	436,473	1,761,608

## **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 August 31, 2021, 20,177,440 (May 31, 2021 – 18,847,274) common shares with no par value were issued and outstanding.

During the three months ended August 31, 2021, the Company issued common shares of the Company as follows:

- On July 14, 2021 the Company issued 999,999 units at a price of \$0.35 per unit for gross proceeds of \$350,000 as a first tranche of a flow-through share financing, and recognized a flow-through share premium of \$37,850. On August 24, 2021, the Company issued an additional 300,000 units as a second tranche. Each unit consists of one flow-through common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share of the Company at a price of \$0.50 per share for a period of three years. The 649,999 warrants were fair valued at \$93,150. The Company paid cash finders fees in the amount of \$21,700 and issued 61,999 non-transferable finder's warrants at a value of \$8,950 to certain brokers, having the same terms as the warrants.
- The Company issued an additional 30,167 common shares pursuant to the exercise of warrants at \$0.20 per share for proceeds in the amount of \$6,033.

During the year ended May 31, 2021, the Company issued common shares of the Company as follows:

- 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. Each unit consists of one common share and one common share purchase warrant. Each Warrant entitles the holder to purchase one common share of the Company at a price of \$0.45 per share on or before July 30, 2023.
- On November 16, 2020 the Company issued 1,375,000 common shares pursuant to a private placement at \$0.40 per unit for gross proceeds in the amount of \$550,000. Each unit consists of one flow-through common share and one-half of one transferable nonflow-through common share purchase warrant. Each whole Warrant entitles the holder to purchase one common share of the Company at a price of \$0.50 per share on or before November 16, 2022. The 687,500 warrants were fair valued at \$41,250. In connection with the closing of the Private Placement, the Company paid aggregate cash finder fees of \$29,750 and issued 96,250 non-transferable finders warrants at a value of \$20,000 to certain brokers, having the same terms as the Warrants (Note 6e). The units issued were issued at a price lower than the market trading price on the 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 January 19, 2021, the Company issued 200,000 common shares pursuant to the option agreement of the Alwin Project at a fair value of \$0.30 per common share (Note 5).

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

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

- The Company issued an additional 1,199,898 common shares pursuant to the exercise of warrants at \$0.20 per share for proceeds in the amount of \$239,980. The fair value of the shares issued pursuant to the exercise of finder and agent warrants was calculated using the Black-Scholes Option Pricing Model was \$34,390.

#### c) Escrow shares

As of August 31, 2021, the Company has 982,500 (May 31, 2021 – 982,500) 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 4, 2019, the Company issued 1,120,000 common shares on a flow-through basis at a price of \$0.15 per unit 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 February 28, 2021, the Company has incurred all \$168,000 of qualified expenditures.

On November 16, 2020, the Company issued 1,375,000 common shares on a flow-through basis at a price of \$0.40 per unit for gross proceeds of \$550,000 (Note 6b). The Company renounced the expenditures incurred from these funds and the balance of unspent funds from these funds under the look-back rules as of December 31, 2020. As of August 31, 2021, the Company has incurred all \$550,000 of qualified expenditures.

On July 14, 2021, the Company issued 999,999 common shares on a flow-through basis at a price of \$0.35 per share for gross proceeds of \$350,000 and an additional 300,000 shares on August 24, 2021 for gross proceeds of \$105,000 (see Note 6b). The Company intends to renounce all of the expenditures incurred and renounce the balance of unspent funds under the look-back rules as of December 31, 2021. As of August 31, 2021, the Company has incurred approximately \$5,000 of qualified expenditures leaving approximately \$450,000 of unspent funds to be incurred for qualified expenditures prior to December 31, 2021, or to be incurred for qualified expenditures in the 2022 calendar year under the look-back rule.

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

#### e) Warrants

The following is a summary of warrant transactions for the three months ended August 31, 2021 and for the fiscal year ended May 31, 2021:

	Three months ended August 31, 2021		Fiscal year ended May 31, 2021	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of the year	3,772,500	0.35	2,855,314	0.20
Warrants exercised during year	(30,167)	0.20	(893,333)	0.20
Finder warrants exercised during the year	-	-	(17,150)	0.20
Agent warrants exercised during year	-	-	(289,415)	0.20
Warrants issued pursuant to private placement and exercisable on or before July 30, 2023	-	-	1,333,334	0.45
Warrants issued pursuant to flow-through unit offering and exercisable on or before November 16, 2022	-	-	687,500	0.50
Finder warrants issued and exercisable on or before November 16, 2022	-	-	96,250	0.50
Warrants issued pursuant to flow-through unit offering and exercisable on or before July 14, 2024	499,999	0.50	-	-
Finder warrants issued and exercisable on or before July 14, 2024	61,999	0.50	-	-
Warrants issued pursuant to flow-through unit offering and exercisable on or before August 24, 2024	150,000	0.50	-	-
Warrants outstanding, end of the period	4,454,331	0.35	3,772,500	0.35

\* 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

Warrants outstanding and exercisable as of August 31, 2021 are as follow

Number of warrants outstanding	Exercise price per warrant	Years to expiry	Expiry date
	\$		
346,500	0.20	0.18	November 4, 2021
1,278,749	0.20	0.72	May 21, 2022
783,750	0.50	1.21	November 16, 2022
1,333,334	0.45	1.91	July 30, 2023
561,998	0.50	2.87	July 14, 2024
150,000	0.50	2.98	August 24, 2024
4,454,331	0.38	1.47	

As of August 31, 2021, the warrants have a weighted average remaining life of 1.47 years (May 31, 2021 – 1.44 years).

On November 16, 2020, the Company issued 687,500 warrants pursuant to a flow through share unit offering and 96,250 finders warrants (Note 6b). The fair value of 96,250 finder warrants granted was calculated using the Black-Scholes option pricing model for a fair value of \$20,000, which was recorded against contributed surplus.

On July 30, 2020, the Company issued 1,333,334 warrants pursuant to a unit offering (Note 6b).

On June 7, 2021, the Company issued 30,167 common shares pursuant to the exercise of warrants at \$0.20 per share.

On July 14, 2021, the Company issued 499,999 warrants pursuant to a flow through share unit offering and 61,999 finders warrants (Note 6b). The fair value of 61,999 finder warrants granted was calculated using the Black-Scholes option pricing model for a fair value of \$8,950, which was recorded against contributed surplus.

On August 24, 2021, the Company issued 150,000 warrants pursuant to a flow through share unit offering. (Note 6b).

The following assumptions were used in the Black-Scholes model to determine the fair value of the finder warrants granted were as follows:

	Three months ended August 31, 2021	Fiscal year ended May 31, 2021
Risk-free interest rate	0.57-0.64%	027%
Expected dividend yield	-	-
Expected volatility	120.68 - 122.73%	125.54%
Expected terms in years	3 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 three months ended August 31, 2021, and the fiscal year ended May 31, 2021.

	August 31, 2021		May 31, 2021	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of the year	1,665,000	0.24	1,125,000	0.20
Granted and exercisable on or before August 17, 2025	-	-	490,000	0.32
Granted and exercisable on or before September 25, 2022	-	-	50,000	0.36
Options outstanding, end of the period	1,665,000	0.24	1,665,000	0.24

Stock options outstanding and exercisable as at August 31, 2021 are as follows:

Number of options outstanding	Number of options exercisable	Exercise price per option \$	Years to expiry	Expiry date
50,000	50,000	0.36	1.07	September 25, 2022
900,000	900,000	0.20	2.25	November 29, 2023
50,000	50,000	0.20	3.10	October 4, 2024
100,000	100,000	0.20	3.17	October 30, 2024
75,000	75,000	0.20	3.42	January 29, 2025
490,000	490,000	0.32	3.97	August 17, 2025
1,665,000	1,665,000	0.24	2.85	

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

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

As of August 31, 2021, the options have a weighted average remaining life of 2.85 years (May 31, 2021 – 3.10 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 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.

On August 20, 2020, the Company granted 490,000 incentive stock options to directors, officers, and consultants, vesting immediately and expire on or before August 20, 2025 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 \$130,625, which was recorded as stock-based compensation expense in the statement of loss and comprehensive loss.

The following assumptions were used in the Black-Sholes model to determine the fair value of the options granted during the fiscal year ended May 31, 2021:

	May 31, 2021
Risk-free interest rate	0.25%
Expected dividend yield	-
Expected Volatility	115.93% to 158.13%
Expected terms in years	5 years

During the three months ended August 31, 2021, the Company recorded stock-based compensation in the amount of \$Nil (2020 - \$130,265).

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### **7. Related Party Balances and Transactions**

During the three months ended August 31, 2021, the Company had the following related party transactions and balances:

- (a) 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 (amended to \$2,500 commencing April 1, 2021).
- The Company paid \$6,750 (2020 - \$Nil) to Max Investments Inc. for fieldwork related to the Alwin Property. Such amounts are included in Exploration and Evaluation Assets (Note 5).
  - Included in due to related parties as of August 31, 2021 is \$1,321 (May 31, 2021 - \$2,112) due to Christopher Dyakowski for expenses incurred on behalf of the Company.
- (b) The Company entered into 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 and to \$7,500 commencing April 1, 2021). During the three months ended August 31, 2021 the Company paid management fees in the amount of \$22,500 (2020 - \$15,000) to the Company's Chief Executive Officer.
- Included in due to related parties as of August 31, 2021 is \$Nil (May 31, 2021 - \$2,112) due to Simon Dyakowski for expenses incurred on behalf of the Company.
- (c) Included in professional fees is \$4,500 (2020 - \$4,500) paid or accrued during the three months ended August 31, 2021 to the Company's Chief Financial Officer (Kenneth Phillippe) for services rendered to the Company.
- Included in accounts payables and accrued liabilities as at August 31, 2021 is \$9,000 (May 31, 2021 - \$9,000).
- (d) During the year ended May 31, 2021, the Company granted 450,000 incentive stock options to its directors and officers (See Note 6f), of which \$119,631 was included in the amount of stock-based compensation recorded in the statements of loss and comprehensive loss. (See Note 6f).
- (e) Included in business development expense is a consulting fee in the amount of \$Nil (2020 - \$5,000) paid to a company controlled by a director of the Company (Jordan Trimble)..

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.

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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, 2021, the Company had a cash balance of \$625,430 (May 31, 2021 - \$708,380) to settle due to related parties, accounts payable and accrued liabilities of \$11,922 (May 31, 2021 --\$22,930). 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.

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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 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.

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 August 31, 2021 and 2020.