

GSP RESOURCE CORP.

Financial Statements
(Expressed in Canadian Dollars)

Years ended May 31, 2021 and 2020

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 28, 2021

"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, 2021 and May 31, 2020, 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, 2021 and May 31, 2020, 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 that the Company had a deficit as at May 31, 2021, 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 the 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 28, 2021

MNP LLP
Chartered Professional Accountants

GSP RESOURCE CORP.

Statements of Financial Position
Expressed in Canadian dollars

As at May 31	2021	2020
	\$	\$
ASSETS		
Current assets		
Cash	708,380	524,187
GST receivable	7,610	6,400
Marketable securities (Note 5)	43,000	-
Prepaid expenses	61,077	78,636
Total current assets	820,067	609,223
Reclamation bond (Note 4)	27,000	12,105
Exploration and evaluation assets (Note 5)	1,325,135	675,190
Total assets	2,172,202	1,296,518
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	19,555	13,070
Due to related parties (Note 7)	3,375	937
Total liabilities	22,930	14,007
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	2,756,821	1,563,451
Reserves (Note 6)	410,232	242,511
Deficit	(1,017,781)	(523,451)
Total shareholders' equity	2,149,272	1,282,511
Total liabilities and shareholders' equity	2,172,202	1,296,518

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 28, 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.

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

	Year ended May 31, 2021	Year ended May 31, 2020
	\$	\$
General and administrative expenses		
Business development	48,750	20,000
Insurance	4,918	4,000
Management fees (Note 7)	90,000	64,000
Office and miscellaneous	7,338	11,051
Professional fees	52,763	67,509
Regulatory and transfer agent fees	26,214	36,929
Rent	11,500	16,500
Shareholder information	135,489	29,873
Stock based compensation (Note 6)	140,861	35,922
Travel and promotion	7,697	3,308
Website	3,800	4,760
Loss before income taxes	529,330	293,852
Deferred tax recovery (Note 11)	-	(24,260)
Unrealized gain on marketable securities (Note 5)	35,000	-
Net loss and comprehensive loss for the year	494,330	269,592
Basic and diluted loss per share	(0.03)	(0.02)
Weighted average number of common shares		
- Basic and diluted	17,429,479	11,416,095

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, 2021	Year ended May 31, 2020
	\$	\$
Operating activities		
Net loss for the year	(494,330)	(269,592)
Items not affecting cash		
Accrued interest income	105	-
Unrealized gain on marketable securities	(35,000)	-
Stock based compensation	140,861	35,922
Deferred tax recovery	-	(24,260)
Changes in non-cash working capital items:		
GST receivable	(1,210)	15,875
Prepaid expense	17,559	(72,617)
Accounts payable and accrued liabilities	(5,725)	13,070
Due to related parties	2,438	937
Net cash flows used in operating activities	(375,302)	(300,665)
Investing activities		
Reclamation bond	(15,000)	(12,105)
Exploration and evaluation assets investments	(585,734)	(254,532)
Net cash flows used in investing activities	(600,734)	(266,637)
Financing activities		
Common shares issued for cash, net of share issue costs (Note 6)	1,160,229	567,870
Net cash flows provided by financing activities	1,160,229	567,870
Increase in cash	184,193	568
Cash, beginning of year	524,187	523,619
Cash, end of year	708,380	524,187

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, 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
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)	1,199,898	274,370	(34,390)	-	239,980
Shares issued pursuant to unit offering, net of commission (Note 6)	1,333,334	400,000	-	-	400,000
Stock based compensation (Note 6)	-	-	140,861	-	140,861
Net loss and comprehensive loss for the year	-	-	-	(494,330)	(494,330)
Balance, May 31, 2021	18,847,274	2,756,821	410,232	(1,017,781)	2,149,272

The accompanying notes are an integral part of these financial statements

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

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 2021	May 31 2020
Deficit	\$ (1,017,781)	\$ (523,451)
Working capital	\$ 797,137	\$ 595,216

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, 2021 and 2020

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 28, 2021.

Adoption of new accounting standards

The Company adopted the following new accounting standard and interpretation:

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 adopted on June 1, 2020. The adoption did not have any impact on the Company’s financial statements or disclosures.

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 amendments are adopted on June 1, 2020. 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, 2021 and 2020

Expressed in Canadian dollars

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

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

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 were adopted on June 1, 2020. The adoption did not have any impact on the Company's financial statements or disclosures.

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 May 31, 2021 and 2020.

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.

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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

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, 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.

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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

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

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 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, 2021 and 2020

Expressed in Canadian dollars

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

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.

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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

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

Financial instruments (cont'd...)

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.

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, 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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

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

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, 2021, the Company has recorded deferred tax liability of \$Nil (May 31, 2020 - \$Nil).

4. Reclamation bond

As at May 31, 2021, reclamation bonds in the amount of \$27,000 (May 31, 2020 - \$12,105), 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%.

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 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.

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2021 and 2020
Expressed in Canadian dollars

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

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.

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 May 31, 2021, the 100,000 common shares of Full Metal Minerals Ltd. is valued at per share quoted market price of \$0.43 for a total of \$43,000 (May 31, 2020 – nil) and recognized an unrealized gain on marketable securities of \$35,000 (May 31, 2020 – nil).

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2021 and 2020
Expressed in Canadian dollars

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

Expenditures related to the properties can be summarized as follows:

	May 31, 2019	Additions	May 31, 2020	Additions	May 31, 2021
	\$	\$	\$	\$	\$
Acquisition costs					
Alwin Project					
Property option payments - cash	-	25,000	25,000	25,000	50,000
Property option payments - shares	-	38,000	38,000	60,000	98,000
	-	63,000	63,000	85,000	148,000
Olivine Property					
Property option payments - cash	55,000	-	55,000	25,000	80,000
Property option payments - shares	35,000	14,250	49,250	-	49,250
Other claims - cash	991	-	991	-	991
Property option -proceeds from disposition	-	-	-	(48,000)	(48,000)
	90,991	14,250	105,241	(23,000)	82,241
	90,991	77,250	168,241	62,000	230,241
Exploration costs					
Alwin Project					
Drilling	-	-	-	356,487	356,487
Environmental consulting	-	-	-	1,230	1,230
Fieldwork	-	-	-	14,500	14,500
Geological consulting	-	5,694	5,694	127,137	132,831
Laboratory and analysis	-	-	-	32,996	32,996
Technical consulting	-	-	-	30,195	30,195
Travel, supplies and field expenses	-	1,203	1,203	24,500	25,703
	-	6,897	6,897	587,045	593,942
Olivine Property					
Airborne geophysical survey	85,000	-	85,000	-	85,000
Assessment report	6,564	2,000	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	5,006	14,233	19,239	-	19,239
Geological survey	1,375	-	1,375	-	1,375
Laboratory analysis	46,396	20,806	67,202	900	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	37,251	41,846	79,097	-	79,097
	277,417	222,635	500,052	900	500,952
	277,417	229,532	506,949	587,945	1,094,894
Balance, end of year	368,408	306,782	675,190	649,945	1,325,135

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

6. Share Capital

a) Authorized:

Unlimited number of common shares with no par value.

b) Issued and Outstanding

As at May 31, 2021, 18,847,274 (May 31, 2020 – 14,739,042) common shares with no par value were issued and outstanding.

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).
- 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.
- See also Note 12.

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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

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

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

- 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. The fair value of the agent warrants issued was calculated using the Black-Scholes Option Pricing Model was \$3,950.
- 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.

c) Escrow shares

As at May 31, 2021 the Company has 982,500 (2020 – 2,947,500) 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 May 31, 2021, the Company has approximately \$425,000 unspent proceeds under the look-back rule.

See also Note 12.

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2021 and 2020
Expressed in Canadian dollars

6. Share Capital (cont'd...)**e) Warrants**

The following is a summary of warrant transactions for the years ended May 31, 2021 and 2020:

	May 31, 2021		May 31, 2020	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of the year	2,855,314	0.20	302,120	0.20
Warrants exercised during year	(893,333)	0.20	-	-
Finder warrants exercised during the year	(17,150)	0.20	-	-
Agent warrants exercised during year	(289,415)	0.20	(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 or 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 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 outstanding, end of the year	3,772,500	0.35	2,855,314	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.

See also Note 12.

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2021 and 2020
Expressed in Canadian dollars

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

e) Warrants (cont'd...)

Warrants outstanding and exercisable as at May 31, 2021 are as follow

Number of warrants outstanding	Exercise price per warrant	Years to expiry	Expiry date
	\$		
376,667	0.20	0.43	November 4, 2021
1,278,749	0.20	0.97	May 21, 2022
783,750	0.50	1.46	November 16, 2022
1,333,334	0.45	2.16	July 30, 2023
3,772,500	0.35	1.44	

As at May 31, 2021, the warrants have a weighted average remaining life of 1.44 years (May 31, 2020 – 1.61 years).

On May 21, 2020, the fair value of 80,979 finder warrants granted was calculated using the Black-Scholes option pricing model for a fair value of \$11,879, which was recorded against contributed surplus. During the year ended May 31, 2021, 17,150 of the finder warrants were exercised.

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

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.

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

	2021	2020
Risk-free interest rate	0.27%	0.30%
Expected dividend yield	-	-
Expected volatility	125.54%	156.87%
Expected terms in years	2 years	2 years

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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

6. Share Capital (cont'd...)**f) Stock options (cont'd...)**

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, 2021 and 2020:

	Year ended May 31, 2021		Year ended May 31, 2020	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of the year	1,125,000	0.20	975,000	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
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 year	1,665,000	0.24	1,125,000	0.20

Stock options outstanding and exercisable as at May 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	1.32	September 25, 2022
900,000	900,000	0.20	2.50	November 29, 2023
50,000	50,000	0.20	3.35	October 4, 2024
100,000	100,000	0.20	3.42	October 30, 2024
75,000	75,000	0.20	3.67	January 29, 2025
490,000	490,000	0.32	4.22	August 17, 2025
1,665,000	1,665,000	0.24	3.10	

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2021 and 2020
Expressed in Canadian dollars

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

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

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 17, 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. Included therein was \$119,631 attributable to 450,000 incentive stock options granted to the officers and directors.

On September 25, 2020, the Company granted 50,000 incentive stock options to a consultant, vesting immediately and exercisable on or before September 25, 2022 at a price of \$0.36 per share. The fair value of the options granted was calculated using Black-Scholes option pricing model for a cumulative total of \$10,596, 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 years ended May 31, 2021 and 2020:

	May 31, 2021	May 31, 2020
Risk-free interest rate	0.25%	1.32% to 1.46%
Expected dividend yield	-	-
Expected Volatility	115.93% to 122.45%	153.62% to 158.13%
Expected terms in years	2 to 5 years	5 years

During the year ended May 31, 2021 the Company recorded stock-based compensation in the amount of \$140,861 (2020 - \$35,922).

7. Related Party Balances and Transactions

During the year ended May 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).

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

7. Related Party Balances and Transactions (cont'd...)

During the year ended May 31, 2021 the Company paid \$25,000 (2020 - \$24,000) to Max Investments Inc.

- The Company paid \$14,500 (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 at May 31, 2021 is \$2,112 (May 31, 2020 - \$937) 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 fiscal year ended May 31, 2021 the Company paid management fees in the amount of \$65,000 (2020 - \$40,000) to the Company's Chief Executive Officer.
- Included in due to related parties as at May 31, 2021 is \$1,263 (May 31, 2020 - \$Nil) due to Simon Dyakowski for expenses incurred on behalf of the Company.
- (c) Included in professional fees is \$22,500 (2020 - \$22,000) paid or payable to the Company's Chief Financial Officer (Kenneth Phillippe) for services rendered to the Company.
- Included in accounts payables and accrued liabilities as of May 31, 2021 is \$4,500 (May 31, 2020 - \$nil).
- (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.
- (e) Included in business development is a consulting fee in the amount of \$20,000 (2020 - \$5,000) paid to a Company controlled by 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.

GSP RESOURCE CORP.

Notes to Financial Statements

For the Years Ended May 31, 2021 and 2020

Expressed in Canadian dollars

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

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company's financial instruments consist of cash, marketable securities, accounts payable and accrued liabilities and due to related parties. The carrying value of cash, accounts payable and accrued liabilities and due to related parties are carried on the statements of financial position at amortized cost and the fair values of these financial instruments approximate their carrying value due to their short-term nature. Marketable securities are recorded at fair value based on the quoted market price in active markets at the recording date, which is consistent with Level 1 of the fair value hierarchy.

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, 2021, the Company had a cash balance of \$708,380 (2020 - \$524,187) to settle due to related parties, accounts payable and accrued liabilities of \$22,930 (2020 - \$14,007). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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

Credit risk

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

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

Interest rate risk

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

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2021 and 2020
Expressed in Canadian dollars

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 year ended May 31, 2021.

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, 2021 and 2020:

	2021	2020
	\$	\$
Net loss before tax	(494,330)	(293,852)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(133,469)	(79,340)
Change in deferred tax assets not recognized	62,966	13,752
Tax effect of flow through share	49,234	37,713
Change in estimate	(303)	303
Share issuance cost	(13,433)	(6,487)
Non-deductible items	35,005	9,799
Total income tax expense (recovery)	-	(24,260)
Current tax expense (recovery)	-	-
Deferred tax expense (recovery)	-	(24,260)
Total income tax expense (recovery)	-	(24,260)

GSP RESOURCE CORP.

Notes to Financial Statements
For the Years Ended May 31, 2021 and 2020
Expressed in Canadian dollars

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

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, 2021 and 2020 are comprised of the following:

	2021	2020
	\$	\$
Non-capital losses carry forward	190,222	96,539
Exploration and evaluation assets	(185,497)	(135,362)
Marketable securities	(4,725)	-
Financing costs	-	38,823
Total deferred tax liability	-	-

The unrecognized deductible temporary differences as at May 31, 2021 and 2020 are comprised of the following:

	2021	2020
	\$	\$
Non-capital losses carry forward	201,996	106,049
Financing cost	137,261	-
Total unrecognized deductible temporary differences	339,257	106,049

The Company has not recognized a deferred tax asset in respect of the non-capital losses of approximately \$201,996 (2020 - \$106,049) 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 the following year:

Expiry	\$
2041	201,996
Total	201,996

12. Subsequent events

On June 7, 2021, 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.

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. 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 Company paid cash finders fees in the amount of \$21,700 and issued 61,999 non-transferable finder's warrants to certain brokers, having the same terms as the warrants. Another tranche of 300,000 units, for gross proceeds of \$105,000 is pending approval by the TSX Venture Exchange.