



Consolidated Financial Statements
Years Ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of:
Searchlight Resources Inc.

Opinion

We have audited the consolidated financial statements of Searchlight Resources Inc. and its subsidiary (the "Company") which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt 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, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The consolidated financial statements of the Company as of June 30, 2019 and for the year then ended, which are presented for comparative purposes, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on October 25, 2019.

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

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

In preparing the consolidated 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.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

CHARTERED PROFESSIONAL ACCOUNTANTS

Manning Elliott LLP

Vancouver, Canada
October 26, 2020

SEARCHLIGHT RESOURCES INC.

Consolidated statements of financial position

(Expressed in Canadian dollars)

	June 30, 2020 \$	June 30, 2019 \$
ASSETS		
Current assets		
Cash	883,717	24,827
Marketable securities (Note 3)	274,118	10,620
Amounts receivable	17,044	3,525
Prepaid expenses and deposits	35,110	13,551
Total current assets	1,209,989	52,523
Non-current assets		
Mineral properties (Notes 4 and 12)	233,569	199,280
Total assets	1,443,558	251,803
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued liabilities (Notes 5 and 6)	50,271	206,391
Loans payable, net of financing costs of \$nil and \$2,989, respectively (Note 6)	97,500	292,011
Flow-through share premium (Note 14)	66,472	-
Total liabilities	214,243	498,402
Shareholders' equity (deficit)		
Share capital	22,842,383	21,559,029
Share-based payment reserve	9,058,164	8,722,509
Deficit	(30,671,232)	(30,528,137)
Total shareholders' equity (deficit)	1,229,315	(246,599)
Total liabilities and shareholders' equity (deficit)	1,443,558	251,803

Nature of operations and continuance of business (Note 1)

Commitments and Contingencies (Note 14)

Approved and authorized for issuance on behalf of the Board of Directors on October 26, 2020:

/s/ "John Kerr"

John Kerr, Director

/s/ "Alfred Stewart"

Alfred Stewart, Director

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

SEARCHLIGHT RESOURCES INC.

Consolidated statements of operations and comprehensive loss

(Expressed in Canadian dollars)

	Year ended June 30, 2020 \$	Year ended June 30, 2019 \$
Expenses		
Investor relations	77,659	81,166
Management and consulting fees (Note 5)	98,950	135,506
Mineral exploration costs (Note 4)	216,211	84,671
Office and miscellaneous	38,891	42,422
Professional fees (Note 5)	96,030	131,596
Rent	13,435	16,324
Share-based compensation (Note 9)	285,872	25,948
Transfer agent and filing fees	22,008	21,621
Travel	8,575	12,126
Total expenses	857,631	551,380
Loss before other income (expense)	(857,631)	(551,380)
Other income (expense)		
Amortization of deferred financing costs (Note 6)	(2,989)	(12,666)
Loss on disposal of marketable securities (Note 3)	(9,693)	-
Impairment of mineral properties (Note 4)	(38,250)	-
Gain on settlement of debt	192,901	-
Mineral property option payments received in excess of capitalized costs (Note 4)	588,529	10,000
Settlement of flow-through premium liability (Note 14)	11,448	-
Unrealized loss on marketable securities (Note 3)	(27,410)	(13,276)
Total other income (expense)	714,536	(15,942)
Net loss and comprehensive loss for the year	(143,095)	(567,322)
Loss per share, basic and diluted	(0.00)	(0.02)
Weighted average shares outstanding	35,020,415	23,971,637

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

SEARCHLIGHT RESOURCES INC.

Consolidated statements of changes in equity

(Expressed in Canadian dollars)

	Share capital		Share-based payment reserve	Deficit	Total shareholders' deficit
	Number of shares	Amount \$	\$	\$	\$
Balance, June 30, 2018	22,674,908	21,478,499	8,696,561	(29,960,815)	214,245
Shares issued pursuant to mineral property option agreements	2,258,000	80,530	—	—	80,530
Fair value of stock options granted	—	—	25,948	—	25,948
Net loss for the year	—	—	—	(567,322)	(567,322)
Balance, June 30, 2019	24,932,908	21,559,029	8,722,509	(30,528,137)	(246,599)
Shares issued for cash	43,574,000	1,315,520	—	—	1,315,520
Share issue costs-cash	—	(69,627)	—	—	(69,627)
Share issue costs-broker warrants	—	(49,783)	49,783	—	—
Flow-through premium	—	(77,920)	—	—	(77,920)
Shares issued for debt	6,281,260	125,625	—	—	125,625
Shares issued pursuant to mineral property option agreements	573,859	39,539	—	—	39,539
Fair value of stock options granted	—	—	285,872	—	285,872
Net loss for the year	—	—	—	(143,095)	(143,095)
Balance, June 30, 2020	75,362,027	22,842,383	9,058,164	(30,671,232)	1,229,315

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

SEARCHLIGHT RESOURCES INC.

Consolidated statements of cash flows

(Expressed in Canadian dollars)

	Year ended June 30, 2020 \$	Year ended June 30, 2019 \$
Operating activities		
Net loss for the year	(143,095)	(567,322)
Items not involving cash:		
Amortization of deferred financing costs	2,989	12,666
Loss on disposal of marketable securities	9,693	-
Impairment of mineral properties	38,250	-
Gain on settlement of debt	(192,901)	-
Mineral property option payments received in excess of capitalized costs	(588,529)	(10,000)
Settlement of flow-through premium liability	(11,448)	
Share-based compensation	285,872	25,948
Unrealized loss on marketable securities	27,410	13,276
Changes in non-cash operating working capital:		
Amounts receivable	(13,519)	12,734
Prepaid expenses and deposits	(21,559)	26,065
Accounts payable and accrued liabilities	(35,094)	90,519
Net cash used in operating activities	(641,931)	(396,114)
Investing activities		
Proceeds from sale of marketable securities-net	22,928	-
Acquisition of mineral properties	(33,000)	(7,000)
Mineral property option payments received	265,000	10,000
Net cash provided by investing activities	254,928	3,000
Financing activities		
Proceeds from issuance of common shares	1,315,520	-
Share issuance costs	(69,627)	-
Net cash provided by financing activities	1,245,893	-
Change in cash	858,890	(393,114)
Cash, beginning of year	24,827	417,941
Cash, end of year	883,717	24,827
Non-cash investing and financing activities:		
Fair value of brokers' warrants issued	49,783	-
Shares issued in settlement of debt	125,625	-
Shares issued pursuant to mineral property option agreements	39,539	80,530
Shares received as partial payment for mineral property option	323,529	-
Supplemental disclosures:		
Cash paid for interest	-	-

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

SEARCHLIGHT RESOURCES INC.

Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

1. Nature of Operations and Continuance of Business

Searchlight Resources Inc., (the "Company"), was incorporated in the State of Nevada, U.S.A. on January 21, 2000 under the name Aberdene Mines Limited. On August 7, 2006, the Company changed its name to Canyon Copper Corp. On May 31, 2013, the Company changed its incorporation jurisdiction to British Columbia, Canada. On July 25, 2018, the Company changed its name to Searchlight Resources Inc. The Company's principal business plan is to acquire, explore and develop mineral properties and ultimately seek earnings by exploiting mineral claims. The Company's registered office is located at Suite 408, 1199 West Pender Street, Vancouver, British Columbia, V6E 2R1.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at June 30, 2020, the Company has not generated any revenue, negative cash flow from operations, and an accumulated deficit of \$30,671,232 since inception. There is no guarantee that the Company will be able to complete any of the above objectives. These factors indicate the existence of a material uncertainty that may cast substantial doubt on the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds. Currently there is no impact on the Company.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Canyon Copper (USA) Ltd., a company incorporated in the state of Nevada. All inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Significant areas requiring the use of estimates include fair value of marketable securities, recoverability of mineral properties, fair value of share-based payments, and unrecognized deferred income tax assets. Actual results could differ from those estimates.

SEARCHLIGHT RESOURCES INC.

Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

The application of the Company's accounting policy for mineral property costs requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

Judgments made by management include the factors used to determine the assessment of whether the going concern assumption is appropriate. The assessment of the going concern assumption requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Adoption of IFRS 16 Leases ("IFRS 16")

Effective July 1, 2019, the Company adopted IFRS 16 which supersedes IAS 17 Leases ("IAS 17"). The Company has applied the new standard using the modified retrospective approach with no restatement of comparative periods. There were no adjustments to retained earnings as a result of adoption.

The adoption of IFRS 16 had no impact on the Company's consolidated financial statements as the Company has short-term lease and lease for which the underlying asset is of low value.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Mineral Property Costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs related to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be depleted using the unit-of-production method based on the estimated proven and probable reserves available on the related property following commencement of production.

The amounts shown for mineral properties represent costs, net of write-offs, option proceeds and recoveries, and do not necessarily reflect present or future value. Recoverability of these amounts will depend upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete development, and future profitable production. The Company reviews the carrying values of mineral properties when there are any events or change in circumstances that may indicate impairment. Where estimates of future cash flows are available, an impairment charge is recorded if the estimated undiscounted future net cash flows expected to be generated by the property is less than the carrying amount. An impairment charge is recognized by the amount by which the carrying amount of the property exceeds the fair value of the property.

SEARCHLIGHT RESOURCES INC.

Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(f) Mineral Exploration and Development Costs

Exploration costs are charged to operations as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized.

(g) Impairment of Non-Current Assets

At each reporting date, the Company reviews the carrying amounts of its tangible assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the consolidated statement of operations.

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of operations.

(h) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties, plant and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties, plant, and equipment. These costs are depreciated using either the unit of production or straight line method depending on the asset to which the obligation relates.

SEARCHLIGHT RESOURCES INC.

Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(h) Reclamation and Remediation Provisions (continued)

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(i) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the respective instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are included in the initial carrying value of the related instrument and are amortized using the effective interest method. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of operations.

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and information about the financial instrument. All financial instruments are classified into either: fair value through profit or loss ("FVTPL") or amortized cost.

The Company has made the following classifications:

Cash	FVTPL
Marketable securities	FVTPL
Amounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as FVTPL when the financial asset is either held for trading or it is designated as FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

SEARCHLIGHT RESOURCES INC.

Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Financial assets at amortized cost

Financial assets at amortized cost are non-derivative financial assets which are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Subsequent to initial recognition, financial assets are measured at amortized cost using the effective interest method, less any impairment.

Subsequent to initial recognition, financial liabilities are measured at amortized cost, unless designated as fair value through profit or loss.

Impairment of Financial Assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been decreased.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are offset against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations. Loss allowances are based on the lifetime ECL's that result from all possible default events over the expected life of the trade receivable, using the simplified approach.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Liabilities and Equity Instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized as the proceeds received, net of direct issue costs.

SEARCHLIGHT RESOURCES INC.

Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

Other financial liabilities

Other financial liabilities (including loans and borrowings and trade payables and other liabilities) are initially measured at fair value, net of transaction costs. Subsequently, other financial liabilities are measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(j) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its mineral exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: (i) a flow-through share premium, equal to the estimated premium if any received from the investor, which is recognized as a liability, and (ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes the amount as other income for the amount of tax reduction renounced to the shareholders. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

(k) Foreign Currency Translation

The Company and its subsidiary's functional currency, being the currency of the primary economic environment in which the Company and its subsidiary operates, is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statement of operations.

(l) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

SEARCHLIGHT RESOURCES INC.

Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Income Taxes (continued)

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(m) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of operations. As at June 30, 2020, and 2019, the Company had no items that represent comprehensive income or loss.

(n) Loss Per Share

Basic loss per share is computed using the weight average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at June 30, 2020, the Company had 43,808,080 (2019 – 10,403,500) potentially dilutive shares outstanding.

(o) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in contributed surplus.

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2. Significant Accounting Policies (continued)

(p) Reclassifications

Certain of the prior year figures have been reclassified to conform to the current year's presentation.

(q) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2020, and have not been applied in preparing these consolidated financial statements.

Amendments to IAS 1, "*Presentation of Financial Statements*"

Amendments to IFRS 3 "*Business Combinations*"

The Company will adopt the amendments to the standards and does not expect they will have a material impact on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Marketable Securities

The Company holds shares and warrants in publicly traded companies. The fair value of common shares held has been determined by reference to public price quotations in an active market. The fair value of warrants has been determined using the Black-Scholes option pricing model.

	June 30, 2019 \$	Additions \$	Proceeds from sales \$	Realized loss \$	Unrealized loss \$	June 30, 2020 \$
Marketable securities	10,620	323,529	(22,928)	(9,693)	(27,410)	274,118
	June 30, 2018 \$	Additions \$	Proceeds from sales \$	Realized losses \$	Unrealized loss \$	June 30, 2019 \$
Marketable securities	23,896	-	-	-	(13,276)	10,620

4. Mineral Properties

Mineral property acquisition costs:

	English Bay Property \$	Bootleg Lake Property \$	Munro Warden Property \$	Cameron Cobalt Property \$	Duddridge Lake Property \$	Total \$
Balance, June 30, 2018	-	58,750	33,000	20,000	-	111,750
Additions	8,000	52,780	5,250	-	21,500	87,530
Balance, June 30, 2019	8,000	111,530	38,250	20,000	21,500	199,280
Additions	7,000	65,539	-	-	-	72,539
Impairment	-	-	(38,250)	-	-	(38,250)
Balance, June 30, 2020	15,000	177,069	-	20,000	21,500	233,569

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4. Mineral Properties (continued)

Mineral exploration costs:

	Year ended June 30, 2020 \$	Year ended June 30, 2019 \$
Claims maintenance	915	14,911
Drilling	28,120	-
General exploration	587	18,216
Geological and geophysics	146,090	13,436
Labour, field, and camp site	9,014	1,083
Staking	11,910	11,738
Surveys	19,575	25,287
	216,211	84,671

(a) New York Canyon Property, Nevada, USA

The New York Canyon Project consists of 60 unpatented mineral claims covering approximately 1,200 acres and 21 patented mineral claims covering an area of approximately 780 acres, including the Jaycor claims as described below, located within the vicinity of the New York Canyon Claims area, Mineral County, Nevada. The New York Canyon Project is approximately five miles east of Luning and 30 miles east of Hawthorne, in the sparsely populated west central part of Nevada.

On March 6, 2014, the Company entered into a purchase agreement with the lessor of the Jaycor claims, which were leased by Canyon pursuant to the terms of a lease agreement with Jaycor dated July 21, 2004. The Company acquired a 100% interest in the 18 mineral claims described above for consideration of 200,000 common shares (issued) and the lease agreement was terminated. This agreement will continue to be subject to a 1.75% net smelter return royalty, which is payable up to US\$2,000,000.

On May 9, 2019, the Company entered into a Letter of Intent ("LOI") with Emgold Mining Corporation ("Emgold") pursuant to which Emgold acquired a 100% interest in the New York Canyon Property. Consideration for the sale included cash in the amount of \$350,000 of which \$10,000 was received on signing of the LOI, \$40,000 was received on the closing date of the transaction and \$100,000 was to be received on each of the six, twelve, and eighteen month anniversary of the closing date. In the event that Emgold accelerated the cash payments, a discounted amount would be received that is not less than \$275,000. In addition, the Company received 2,941,176 Emgold common shares at the date of closing. During the year, Emgold accelerated the cash payments resulting in the Company receiving \$225,000, and \$275,000 in aggregate including the \$10,000 and \$40,000 amounts previously received. The amounts received are recorded in the current year in the consolidated statements of operations and comprehensive loss as mineral property option payments received in excess of capitalized costs.

(b) Bootleg Lake Gold Property, Saskatchewan, Canada

On May 10, 2017, the Company entered into an option agreement with New Moon Minerals Corp. ("New Moon") to earn up to a 75% interest in the Bootleg Lake Gold Property located near Creighton, Saskatchewan, Canada by making the following cash payments, share issuances and exploration expenditures:

- (i) Cash payment of \$5,000 upon signing of agreement (paid);
- (ii) Cash payment of \$5,000 (paid) and issuing 83,333 shares within 5 days of the date of TSX Venture Exchange (the "TSXV") acceptance (issued);
- (iii) The Company will earn a 51% interest upon completing the following:
 - Cash payment of \$40,000 (paid) and issuing 83,333 shares (issued) before June 30, 2018;

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4. Mineral Properties (continued)

(b) Bootleg Lake Gold Property, Saskatchewan, Canada (continued)

- Cash payment of \$50,000 and issuing 166,667 shares before June 30, 2019; and
- Incurring initial exploration expenditures of \$100,000 before December 31, 2018, and incurring further exploration expenditures of \$150,000 before December 31, 2019, for a cumulative total of \$250,000 of exploration expenditures;

(iv) The Company will earn a 75% interest upon completing the following:

- Cash payment of \$50,000 (paid) and issuing 166,667 shares before June 30, 2020 (issued);
- Cash payment of \$100,000 and issuing 166,667 shares before June 30, 2021; and
- Incurring additional exploration expenditures of \$200,000 before December 31, 2020, and incurring further exploration expenditures of \$300,000 before December 31, 2021, for a cumulative total of \$750,000 of exploration expenditures.

The Company can, at its option, accelerate the cash payments and common shares issuances described above. Any excess exploration expenditures incurred on the property within an earn-in time period will be credited to successive earn-in time periods.

Under the terms of the option agreement, the Company will pay a 1% net smelter return royalty (the "NSR") to New Moon on commencement of commercial production. The Company will have the right, at any time, to purchase 0.5% of the first NSR for \$500,000. There is an existing 1% net smelter return royalty in favour of the underlying optionors.

On October 16, 2018, the Company and New Moon executed an amended option agreement ("Amended Agreement") pursuant to which the Company earned a 51% interest in the Property by issuing 1,425,000 shares in lieu of additional cash payments.

On June 25, 2020, the Company and New Moon executed an amended option agreement pursuant to which the Company could make a cash payment of \$30,000 and issue 473,859 shares to meet its obligation prior to June 30, 2020 under item (iv) above.

(c) Munro Warden Copper Nickel Cobalt Property, Ontario, Canada

On July 19, 2017, the Company entered into an option agreement with 2333382 Ontario Inc., a private company, to earn up to a 100% interest in the Munro Warden Copper Nickel Cobalt Property located in the eastern part of the Kidd-Munro assemblage of the Abitibi Greenstone Belt in Ontario.

Under the terms of the option agreement, the Company has the option to acquire up to a 100% interest in the property by making the following cash payments, share issuances and exploration expenditures:

- (i) Cash payment of \$5,000 (paid) and issuing 100,000 shares within 20 days of the date of TSXV acceptance (issued).
- (ii) The Company will earn a 51% interest upon completing the following:
 - Cash payment of \$20,000 (paid) and issuing 150,000 shares (issued) before June 30, 2018;
 - Cash payment of \$25,000 and issuing 150,000 shares before December 31, 2019; and
 - Incurring initial exploration expenditures of \$500,000 before December 31, 2019.
- (iii) The Company will earn a 75% interest upon completing the following:
 - Cash payment of \$50,000 and issuing 200,000 shares before December 31, 2020;
 - Cash payment of \$50,000 and issuing 200,000 shares before December 31, 2021; and

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4. Mineral Properties (continued)

(c) Munro Warden Copper Nickel Cobalt Property, Ontario, Canada (continued)

- Incurring additional exploration expenditures of \$1,000,000 before December 31, 2021, for a cumulative total of \$1,500,000 of exploration expenditures.

(iv) The Company will earn a 100% interest upon completing the following:

- Cash payment of \$100,000 and issuing 200,000 shares before December 31, 2023; and
- Incurring additional exploration expenditures of \$1,000,000 before December 31, 2023, for a cumulative total of \$2,500,000 of exploration expenditures.

The Company can, at its option, accelerate the cash payments and common shares issuances described above. Any excess exploration expenditures incurred on the property within an earn-in time period will be credited to successive earn-in time periods.

Under the terms of the option agreement, the Company will pay a 2% net smelter return royalty to 2333382 Ontario Inc. on commencement of commercial production. The Company will have the right, at any time, to purchase 1% of the net smelter return for \$1,000,000.

On December 31, 2019, the Company terminated the option agreement and as a result all the acquisition costs were impaired.

(d) Cameron Cobalt Property, Ontario, Canada

On November 13, 2017, the Company acquired a 100% interest in the Cameron Cobalt Project located in the Brigstocke Township located in the north of North Bay, Ontario, for \$20,000.

(e) Duddridge Lake Property, Saskatchewan, Canada

On November 30, 2018, the Company entered into a purchase agreement to acquire a 100% interest in the Duddridge Lake Property located northwest of La Ronge, Saskatchewan. In consideration, the Company is to make the following cash payment and share issuance:

- (i) \$2,000 (paid) on the effective date; and
- (ii) \$2,000 (paid) and issue 500,000 common shares (issued) on the closing date.

Under the terms of the agreement, the Company will pay a 1% net smelter return royalty on commencement of commercial production. The Company will have the right, at any time prior to a feasibility study on the property or within six months after a feasibility study, to purchase 0.5% of the net smelter return for \$1,000,000 and to purchase 0.5% of the net smelter return for \$1,500,000.

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4. Mineral Properties (continued)

(f) English Bay Property, Saskatchewan, Canada

On February 18, 2019, the Company entered into an option agreement to earn up to a 100% interest in the English Bay Property located in Saskatchewan. Under the terms of the option agreement, the Company has the option to acquire up to a 100% interest in the property by making the following cash payments, share issuances and exploration expenditures:

(i) Cash payment of:

- \$1,000 (paid) on effective date;
- \$2,000 (paid) on the closing date;
- \$3,000 (paid) on the first anniversary of effective date; and
- \$4,000 on the second anniversary of effective date.

(ii) Issue shares of:

- 100,000 on the closing date (issued);
- 100,000 on the first anniversary of closing date (issued);
- 100,000 on the second anniversary of closing date, and

(iii) Complete the following exploration expenditures:

- \$10,000 in exploration expenditures prior to the first anniversary of effective date;
- \$75,000 in additional exploration expenditures, prior to April 30, 2021, for a cumulative total of \$85,000; and
- \$165,000 in additional exploration expenditures, prior to April 30, 2022, for a cumulative total of \$250,000.

The Company can, at its option, accelerate the cash payments and common shares issuances described above. Any excess exploration expenditures incurred on the property within an earn-in time period will be credited to successive earn-in time periods.

Under the terms of the option agreement, the Company will pay a 2% net smelter return royalty the optionors on commencement of commercial production. The Company will have the right, at any time, to purchase 0.5% of the net smelter return for \$1,000,000.

(g) Flin Flon North Project, Saskatchewan, Canada

In August 2019, the Company entered into an option agreement to earn up to a 100% interest in the Flin Flon North Project located in Saskatchewan. Under the terms of the option agreement, the Company must maintain the claims in good standing and complete twelve years of assessment work. The property is subject to a 2% NSR.

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5. Related Party Transactions

The Company compensates certain of its key management personnel to operate its business in the normal course. Key management includes the Company's executive officers and members of its Board of Directors. Transactions and balances with key management personnel and related parties are as follows:

- (a) As at June 30, 2020, the Company was indebted to the Chief Executive Officer ("CEO") of the Company for \$49,831 (2019 - \$88,646) which is included in accounts payable and accrued liabilities. The amount is non-interest bearing, unsecured, and due on demand.
- (b) During the year ended June 30, 2020, the Company incurred management fees of \$100,000 (2019 - \$120,000) to the CEO of the Company.
- (c) During the year ended June 30, 2020, the Company incurred consulting fees of \$25,000 (2019 - \$Nil) to a Director of the Company.
- (d) During the year ended June 30, 2020, the Company incurred professional fees of \$60,000 (2019 - \$60,000) to a company controlled by the CFO of the Company.
- (e) During the year ended June 30, 2020, the Company granted 4,800,000 stock options with a fair value of \$266,444 (2019 - \$25,207) to officers and directors of the Company.

6. Loans Payable

- (a) On April 28, 2015, the Company entered into a loan agreement with a non-related third party (the "Lender"), whereby the Lender agreed to loan the Company \$250,000 for a period of one year at an interest rate of 10% per annum. The amount is unsecured. As additional consideration for the loan, the Company issued 166,667 common shares to the Lender with a fair value of \$25,000. This amount was deferred and netted against the carrying value of the loan at issuance and was amortized over the term of the loan. On May 3, 2016, the maturity date was extended to April 28, 2018. On March 27, 2018, the Company fully repaid the loan of \$250,000. On March 16, 2020, the Company issued 1,452,880 common shares as payment of accrued interest of \$72,644. As at June 30, 2020, the Company owed accrued interest of \$nil (2019 - \$72,644), which was included in accounts payable and accrued liabilities.
- (b) On May 3, 2016, the Company entered into a loan agreement with a non-related third party (the "Lender"), whereby the Lender agreed to loan the Company \$50,000 for a period of two years at an interest rate of 10% per annum. The amount is unsecured. As additional consideration for the loan, the Company issued 66,667 common shares to the Lender on the first anniversary of the loan agreement, at a fair value of \$7,000. This amount was deferred and netted against the carrying value of the loan at issuance and is being amortized over the term of the loan. On March 27, 2018, the Company fully repaid the loan of \$50,000. On March 16, 2020, the Company issued 189,340 common shares as payment of accrued interest of \$9,467. As at June 30, 2020, the Company owed accrued interest of \$nil (2019 - \$9,467), which was included in accounts payable and accrued liabilities.
- (c) As at June 30, 2020, the Company was indebted to a non-related third party for \$97,500 (2019 - \$195,000), which is non-interest bearing, unsecured, and due on demand. On March 16, 2020, the Company issued 1,950,000 common shares as payment of \$97,500 of the amount previously outstanding.

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6. Loans Payable (continued)

- (d) On September 27, 2016, the Company entered into a loan agreement with a non-related third party (the "Lender"), whereby the Lender agreed to loan the Company \$100,000 for a period of three years at an interest rate of 10% per annum. The amount is unsecured. As additional consideration for the loan, the Company agreed to issue 133,333 common shares to the Lender on the first anniversary of the loan agreement. On October 2, 2017, the Company issued the 133,000 common shares at a fair value of the shares \$25,333 which was deferred and netted against the carrying value of the loan and is being amortized over the term of the loan. During the year ended June 30, 2020, the Company amortized \$2,989 (2019 - \$12,666) of the deferred financing costs. On March 16, 2020, the Company issued 299,040 common shares as payment of accrued interest of \$14,952. As at June 30, 2020, the Company owed accrued interest of \$nil (2019 - \$14,952), which was included in accounts payable and accrued liabilities.

7. Share Capital

Authorized: Unlimited common shares without par value
Unlimited preferred shares without par value

Share transactions during the year ended June 30, 2020:

- (a) On September 18, 2019, the Company completed a private placement of 2,790,000 units and 2,000,000 flow-through units at \$0.05 per unit for gross proceeds of \$239,500. Each unit consisted of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.05 per share for a period of two years. Each flow-through unit consisted of one flow-through common share and one-half non-transferable share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.05 per share for a period of two years. A flow-through share premium of \$5,000 was recognized as a reduction against the proceeds received.
- (b) On October 25, 2019, the Company completed a private placement of 1,340,000 units at \$0.05 per unit for gross proceeds of \$67,000. Each unit consisted of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.05 per share for a period of two years.
- (c) On March 6, 2020, the Company issued 100,000 common shares with a fair value of \$4,000 pursuant to the mineral property option agreement described in Note 4(f).
- (d) On March 16, 2020, the Company issued 6,281,260 common shares with a fair value of \$125,625 in exchange for reduction of debt.

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7. Share Capital (continued)

- (e) On May 26, 2020, the Company completed a private placement of 22,860,000 units at \$0.025 per unit for gross proceeds of \$571,500 and 14,584,000 flow-through units at \$0.03 for gross proceeds of \$437,520. Each unit consisted of one common share and one non-transferable share purchase warrant, with each warrant entitling the holder to purchase one common share at a price of \$0.05 per share for a period of three years. Each flow-through unit consisted of one flow-through common shares and one-half non-transferable share purchase warrant, with each warrant entitling the holder to purchase one flow-through common share at a price of \$0.05 for a period of one year. In connection with this private placement, the Company paid finder's fees of \$63,631 and issued 2,201,080 broker warrants with a fair value of \$49,783, with 1,020,880 broker warrants entitling the holder to purchase an additional common share at a price of \$0.05 for a period of one year and 1,180,200 broker warrants entitling the holder to purchase an additional common share at a price of \$0.05 for a period of two years. The Company incurred additional share issuance costs of \$5,996 in connection with the private placement. A flow-through share premium of \$72,920 was recognized as a reduction against the proceeds received.
- (f) On June 29, 2020, the Company issued 473,859 common shares with a fair value of \$35,539 pursuant to the mineral property agreement described in Note 4(b).

Share transactions during the year ended June 30, 2019:

- (g) On August 27, 2018, the Company issued 83,000 common shares with a fair value of \$2,905 pursuant to the mineral property agreement described in Note 4(b).
- (h) On August 27, 2018, the Company issued 150,000 common shares with a fair value of \$5,250 pursuant to the mineral property option agreement described in Note 4(c).
- (i) On November 19, 2018, the Company issued 1,425,000 common shares with a fair value of \$49,875 pursuant to the mineral property option agreement described in Note 4(b).
- (j) On February 5, 2019, the Company issued 500,000 common shares with a fair value of \$17,500 pursuant to the mineral property option agreement described in Note 4(e).
- (k) On March 7, 2019, the Company issued 100,000 common shares with a fair value of \$5,000 pursuant to the mineral property option agreement described in Note 4(f).

8. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, June 30, 2019	8,503,500	0.15
Expired	(8,503,500)	0.15
Issued	35,282,000	0.05
Balance, June 30, 2020	35,282,000	0.05

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8. Share Purchase Warrants (continued)

As at June 30, 2020, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
3,790,000	0.05	September 18, 2021
1,340,000	0.05	October 25, 2021
7,292,000	0.05	May 26, 2021
22,860,000	0.05	May 26, 2023
<u>35,282,000</u>		

In addition, there are 2,201,080 broker warrants outstanding exercisable at \$0.05 with 1,020,880 broker warrants expiring on May 26, 2021 and 1,180,200 broker warrants expiring on May 26, 2023.

9. Stock Options

On August 21, 2009 (as amended on May 4, 2011), the Board of Directors of the Company adopted the Company's 2009 Stock Option Plan (the "Plan"). The Plan is administered by the Board of Directors. Stock options granted under the Plan have a maximum term of five years. The aggregate number of shares of the Company's common stock available for issuance under the 2009 Plan is 10% of the Company's issued and outstanding shares.

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

	Number of options	Weighted average exercise price \$
Outstanding, June 30, 2018	1,831,668	0.21
Granted	875,000	0.05
Expired	(806,668)	0.23
Outstanding, June 30, 2019	1,900,000	0.42
Granted	5,150,000	0.05
Cancelled	(725,000)	0.20
Outstanding, June 30, 2020	6,325,000	0.06

Additional information regarding stock options outstanding as at June 30, 2020, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.05	875,000	4.6	0.05
0.17	100,000	3.4	0.17
0.20	200,000	3.3	0.20
0.05	5,150,000	4.9	0.05
	<u>6,325,000</u>	<u>4.6</u>	<u>0.06</u>

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9. Stock Options (continued)

The fair value of stock options vested during the year ended June 30, 2020, was \$285,872 (2019 – \$25,948) which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of stock options granted during the year ended June 30, 2020 was \$0.05 (2019 – \$0.03) per option.

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeitures and the following weighted average assumptions:

	2019	2020
Risk-free interest rate	1.57%	0.45%
Expected life (in years)	5	5
Expected volatility	197%	155%

10. Financial Instruments and Risk Management

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as at June 30, 2020, as follows:

	Fair value measurements using			Balance, June 30, 2020 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	883,717	–	–	883,717
Marketable securities	274,118	–	–	274,118
	1,157,835	–	–	1,157,835

The fair values of other financial instruments, which include amounts receivable, accounts payable and accrued liabilities, and loans payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. Amounts receivable consists of GST refunds due from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company operates in Canada and United States. Future exploration programs and option payments may be denominated in U.S. dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

(d) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

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10. Financial Instruments and Risk Management (continued)

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities. The Company is exposed to price risk with the marketable securities held in publicly-traded companies. The Company's marketable securities are subject to risks associated with fluctuations in the market price of the marketable securities.

11. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuances or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended June 30, 2019.

12. Segmented Information

The Company operates in one reportable segment, being the acquisition, exploration, and development of mineral properties, with all current exploration activities conducted in Canada and the United States.

	2020		
	Canada \$	United States \$	Total \$
Mineral properties	233,569	–	233,569

	2019		
	Canada \$	United States \$	Total \$
Mineral properties	199,280	–	199,280

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13. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2020 \$	2019 \$
Statutory income tax rate	27.0%	27.0%
Income tax recovery at statutory rate	(38,636)	(153,177)
Tax effect of:		
Permanent differences and other	57,091	10,007
Change in enacted tax rates	(1,477)	-
Change in unrecognized deferred income tax assets	(16,978)	143,170
Income tax provision	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	2020 \$	2019 \$
Deferred income tax assets		
Non-capital losses carried forward	3,538,151	3,484,400
Share issuance costs	21,925	10,357
Marketable securities	7,401	977
Resource pools	2,727,675	2,816,396
Total gross deferred income tax assets	6,295,152	6,312,130
Unrecognized deferred income tax assets	(6,295,152)	(6,312,130)
Net deferred income tax asset	—	—

As at June 30, 2020, the Company has non-capital losses carried forward of \$13,104,262, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2026	5,459,624
2027	849,655
2028	1,011,826
2029	508,857
2030	789,075
2031	454,592
2032	779,885
2033	495,371
2034	379,276
2035	320,625
2036	378,761
2037	331,645
2038	678,830
2039	467,162
2040	199,078
	13,104,262

The Company also has available mineral resource related expenditure pools totaling \$10,336,068, which may be deducted against future taxable income on a discretionary basis.

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Notes to the consolidated financial statements
Years ended June 30, 2020 and 2019
(Expressed in Canadian dollars)

14. Commitments and Contingencies

Flow-through Shares

On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes as other income for the amount of tax reduction renounced to the shareholders. Other liabilities include the premium that has not yet been used to incur qualifying exploration expenditures.

Balance June 30, 2019	\$	-
Expenditure commitment on flow-through shares issued during the year		77,920
Settlement of flow-through share liability on Incurring expenditures		(11,448)
Balance June 30, 2020	\$	66,472

The Company needs to incur a remaining \$398,830 in exploration and expenditure costs as at June 30, 2020 related to the remaining balance of the liability.

Covid 19

The Company's business could be adversely affected by the effects of health epidemics, including the global COVID-19 pandemic. In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses. The spread of COVID-19, which has caused a broad impact globally, may materially affect the Company economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Company's ability to access capital, which could in the future negatively affect the Company's liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Company's business and the value of the Company's common shares. The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Company's business, operations and clinical trials will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the disease and whether Canada and other countries are required to move to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.