

**JAZZ RESOURCES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**  
(Expressed in Canadian dollars)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Jazz Resources Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Jazz Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International financial Reporting Standards ("IFRS").

### *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 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

### *Material Uncertainty Related to Going Concern*

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$468,475 during the year ended June 30, 2021 and, as of that date, the Company had an accumulated deficit of \$5,918,103. As stated in Note 1, these events and conditions 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 obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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 audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 Consolidated financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

### ***Auditor's Responsibilities for the Audit of the Consolidated financial Statements***

Our objectives are 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 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 consolidated financial statements.

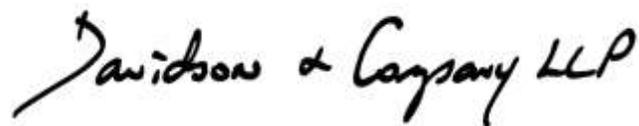
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 auditor's 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 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 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 audit resulting in this independent auditor's report is Glenn Parchomchuk.

A handwritten signature in black ink that reads "Davidson & Caspary LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

October 28, 2021

**JAZZ RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
As at June 30, 2021

	Note	June 30, 2021	June 30, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 1,082,495	\$ 22,263
Amounts receivable	4	17,067	45,364
Prepaid Expenses		4,492	-
<b>Total current assets</b>		<b>1,104,054</b>	67,627
Security deposits		33,500	33,500
Mineral properties and deferred exploration costs	5	1,534,011	1,505,948
Deferred net profit interest costs	6	4,873,959	-
<b>Total assets</b>		<b>\$ 7,545,524</b>	<b>\$ 1,607,075</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 1,291,133	\$ 1,298,689
Due to related parties	7	50,833	645,452
Convertible debentures	9	2,013,288	-
Loan payable	8	7,708	76,120
<b>Total liabilities</b>		<b>3,362,962</b>	2,020,261
<b>Shareholders' equity (deficiency)</b>			
Share capital	10	8,780,386	4,193,934
Contributed surplus		956,037	842,508
Equity portion of convertible debenture	9	378,542	-
Subscriptions receivable	10	(14,300)	-
Deficit		(5,918,103)	(5,449,628)
		<b>4,182,562</b>	<b>(413,186)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 7,545,524</b>	<b>\$ 1,607,075</b>

**Nature and continuance of operations and going concern** (Note 1)  
**Subsequent events** (Note 16)

**Approved and authorized on behalf of the Board:**

\_\_\_\_\_  
*"Rob Klenk"*

Director

\_\_\_\_\_  
*"Kirk Fisher"*

Director

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

**JAZZ RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
Year Ended June 30, 2021

	Note	Year Ended June 30, 2021	Year Ended June 30, 2020
<b>EXPENSES</b>			
Filing fees		\$ 86,760	\$ 19,168
Interest and charges	7, 8, 9	39,586	45,915
Office and miscellaneous		38,522	11,627
Accretion expense	9	42,045	-
Professional fees		168,059	47,631
Consulting fees		131,741	20,000
Transfer agent fees		8,447	15,724
Share based compensation	10	93,314	-
<b>Total general and administrative expenses</b>		<b>(608,475)</b>	<b>(160,065)</b>
Income tax recovery	11	140,000	-
<b>Loss and comprehensive loss for the year</b>		<b>\$ (468,475)</b>	<b>\$ (160,065)</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.04)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares outstanding</b>			
– basic and diluted		<b>10,652,103</b>	<b>2,577,117</b>

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

**JAZZ RESOURCES INC.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**  
Year Ended June 30, 2021

	Note	Number of Shares	Share Capital	Subscriptions Receivable	Contributed Surplus	Equity Portion of Convertible Debentures	Deficit	Total
<b>Balance, June 30, 2019</b>		2,576,885	\$ 4,193,934	\$ (25,000)	\$ 842,508	\$ -	\$ (5,289,563)	\$ (278,121)
Subscriptions received	<b>10</b>	-	-	25,000	-	-	-	25,000
Net loss for the year		-	-	-	-	-	(160,065)	(97,741)
<b>Balance, June 30, 2020</b>		2,576,885	4,193,934	-	842,508	-	(5,449,628)	(413,186)
Shares issued in private placement	<b>10</b>	12,092,000	2,605,250	(14,300)	-	-	-	2,590,950
Shares issued to settle loan payable	<b>8, 10</b>	350,000	70,000	-	-	-	-	70,000
Share issuance costs	<b>10</b>	-	(61,853)	-	-	-	-	(61,853)
Shares issued in acquisition of net profit interests	<b>10, 8</b>	5,125,000	1,981,000	-	-	-	-	1,981,000
Broker warrants in connection with private placement	<b>10</b>	-	(20,215)	-	20,215	-	-	-
Share based compensation	<b>10</b>	-	-	-	93,314	-	-	93,314
Equity portion of convertible debenture	<b>9</b>	-	-	-	-	378,542	-	378,542
Exercise of warrants	<b>10</b>	61,350	12,270	-	-	-	-	12,270
Net loss for the year		-	-	-	-	-	(468,475)	(468,475)
<b>Balance, June 30, 2021</b>		<b>20,205,235</b>	<b>\$ 8,780,386</b>	<b>\$ (14,300)</b>	<b>\$ 956,037</b>	<b>\$ 378,542</b>	<b>\$ (5,918,103)</b>	<b>\$ 4,182,562</b>

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

**JAZZ RESOURCES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Year Ended June 30, 2021

	Year Ended June 30,		Year Ended June 30,	
	2021		2020	
<b>OPERATING ACTIVITIES</b>				
Net loss for the year	\$	(468,475)	\$	(160,065)
Items not affecting cash:				
Accretion of discount on convertible debentures		42,045		-
Accrued interest		67,373		45,840
Share based compensation		93,314		-
Income tax recovery		(140,000)		-
Changes in non-cash working capital items:				
Decrease in amounts receivable		215,297		65
Decrease (increase) in prepaid expenses		(4,492)		4,756
Decrease in due to related parties		-		72,452
Increase (decrease) in accounts payable and accrued liabilities		(7,556)		28,344
Net cash used in operating activities		(202,494)		(8,608)
<b>INVESTING ACTIVITIES</b>				
Mineral property, rights, and deferred exploration costs, net of recoveries		(201,558)		(46,877)
Sale of mineral properties		113,989		-
Payment made for deferred acquisition of net profit interests		(2,892,959)		-
Net cash used in investing activities		(2,980,528)		(46,877)
<b>FINANCING ACTIVITIES</b>				
Funds received on issuance of common shares		2,541,367		25,000
Funds received on convertible debentures		2,277,000		-
Repayment to related parties		(575,114)		-
Repayment of loan		-		(40,000)
Loans received		-		70,000
Net cash provided by financing activities		4,243,253		55,000
<b>Change in cash during the year</b>		<b>1,060,232</b>		<b>(485)</b>
<b>Cash, beginning of year</b>		<b>22,263</b>		<b>22,748</b>
<b>Cash, end of year</b>	\$	<b>1,082,495</b>	\$	<b>22,263</b>

**Supplemental disclosure with respect to cash flows (Note 13)**

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN**

Jazz Resources Inc. (the “Company”) was incorporated under the laws of the Province of British Columbia and is in the business of the exploration and development of mineral properties. The Company’s head office and records office is located at Suite 2 – 1493 Phoenix Street, White Rock, British Columbia, Canada, V4B 3L1. To date, the Company has not earned any revenues and is considered to be in the exploration stage.

The Company’s common shares are listed on the TSX Venture Exchange with the symbol “JZR.V”.

The Company is in the process of exploring and developing its mineral properties and rights and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

On February 28, 2020, the Company consolidated its issued and outstanding shares, on an 8:1 basis, from 20,616,939 pre-consolidation common shares to 2,576,885 post-consolidation common shares. The exercise price and number of shares issuable by way of options and warrants of the Company was proportionately adjusted to account for the share consolidation. All shares and per share amounts have been restated to reflect the share consolidation retrospectively.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company’s industry and in the global markets, including possible disruptions in the Company’s operations, and measures being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) to date have not had a material impact on the Company’s operations and ability to access capital. The full extent of the impact of this outbreak and related containment measures on the Company’s operations cannot be reliably estimated at the date these financial statements were approved.

### Going concern of operations

These consolidated financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to develop profitable operations. As at the current reporting period, the Company does not have sufficient cash resources to meet its obligations for the next twelve months of operations.

Management is actively targeting sources of additional financing from investors, shareholders and through alliances with financial entities, and is considering issuances of debt or equity or other business and financial transactions which would assure continuation of the Company’s operations. To the extent financing is not available, working capital commitments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. Management is closely monitoring economic trends, global financial conditions, and the equity markets to determine the appropriate course of action to be taken by the Company.

The Company has incurred a loss of \$468,475 for the year ended June 30, 2021, with an accumulated deficit of \$5,918,103. Although it has been successful to date, there can be no assurance that the Company will be able to raise the funds necessary to continue future operations and commitments. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position.

**1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN (cont'd...)**

*Going concern of operations (cont'd...)*

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These consolidated financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements are prepared using IFRSs in effect as at June 30, 2021. Significant accounting policies and the applicable basis of measurement used in the preparation of these consolidated financial statements are described in Note 3.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are classified as fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements were authorized by the Board of Directors on October 28, 2021.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies are those policies which the Company has adopted for its consolidated financial statements for the year ended June 30, 2021. These policies have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

*Basis of consolidation*

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

*Basis of consolidation (cont'd...)*

The consolidated financial statements include the accounts of the Company and the following subsidiary. All significant intercompany balances and transactions were eliminated on consolidation.

<u>Name</u>	<u>Place of incorporation</u>	<u>Ownership</u>	<u>Principal activity</u>
Jazz mining 05 Inc.	British Columbia	100%	Exploration company

**Foreign currency translation**

Foreign currency transactions are translated into the Corporation's functional currency (the Canadian dollar) at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of loss and comprehensive loss.

**Mineral properties, rights, and deferred exploration costs**

The Company's accounting policy for mineral property costs is dependent on the stage of the properties to which the costs relate. All capitalized costs are attributed to the individual mineral properties to which they relate, known as cash generating units ("CGUs").

*Acquisition costs*

All costs incurred to acquire or maintain mineral property rights are capitalized to the relevant CGU. These costs are not depleted until the CGU reaches production.

*Exploration and evaluation costs*

Costs related to the exploration and evaluation of properties for which no technically or economically feasible reserves have been established are capitalized to the relevant CGU in the period incurred. The Company determines that technical and economic feasibility exists when:

- a feasibility study, prepared in accordance with professional geological standards, defines a proven mineral reserve body;
- the Company intends to recover the mineral reserves through mining activity or sale of mineral rights; and
- the Company has sufficient financing available to develop and operate a mine or to market the mineral rights.

*Development costs*

When technical and economic feasibility exists for a certain CGU, all costs incurred to further prepare and develop a mine, or to ready the reserve rights for sale, are capitalized. Such costs may include interest on debt financing required to construct a mine or general and overhead expenses that are directly attributable to the CGU. These capitalized costs are not subject to depletion until such time as the mine is ready for production or the mineral rights are saleable, at which point they are depleted on a unit-of-production basis over the estimated recoverable reserves of each CGU.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral properties, rights, and deferred exploration costs (cont'd...)**

*Pre-commissioning revenues*

Any pre-commissioning revenues earned from the sale of ore extracted from the Company's exploration and evaluation assets are applied against the carrying value of those assets. Costs incurred associated with third party crushing, processing and shipping of the ore are first netted against the pre-commissioning revenues, prior to being applied against the asset's carrying value.

*Post-development costs*

After a mine is ready for production or mineral reserves are saleable, all costs, including interest on related debt and general and administrative costs are expensed in the period incurred unless they relate to an extension of mineral reserves or a significant improvement in mining operations. In these instances, the expenditures related to the betterment are capitalized and are depleted on a unit-of-production basis over the remaining recoverable reserves.

**Impairment (and reversals of impairment) of non-current assets**

The Company reviews and tests the carrying amounts of Property plant and equipment ("PP&E") and intangible assets with finite lives when an indicator of impairment is considered to exist. Impairment assessments on PP&E and intangible assets are conducted at the level of the cash generating unit ("CGU"), which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and includes most liabilities specific to the CGU. For operating mines and projects, the individual mine/project represents a CGU for impairment testing.

The recoverable amount of a CGU is the higher of Value in Use ("VIU") and Fair Value Less Costs of Disposal ("FVLCD"). We have determined that the FVLCD is greater than the VIU amounts and is therefore used as the recoverable amount for impairment testing purposes. An impairment loss is recognized for any excess of the carrying amount of a CGU over its recoverable amount where both the recoverable amount and carrying value include the associated other assets and liabilities, including taxes where applicable, of the CGU. Where it is not appropriate to allocate the loss to a separate asset, an impairment loss related to a CGU is allocated to the carrying amount of the assets of the CGU on a pro rata basis based on the carrying amount of its non-monetary assets.

*Impairment reversal*

An assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the CGU's recoverable amount since the last impairment loss was recognized. This reversal is recognized in the consolidated statements of loss and comprehensive loss and is limited to the carrying value that would have been determined, net of any depreciation where applicable, had no impairment charge been recognized in prior years. When an impairment reversal is undertaken, the recoverable amount is assessed by reference to the higher of VIU and FVLCD. We have determined that the FVLCD is greater than the VIU amounts and is therefore used as the recoverable amount for impairment testing purposes.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Reclamation provision**

The Company recognizes a provision for environmental reclamation of its mineral properties in the period in which the Company becomes legally or constructively liable for future reclamation expenditures. The reclamation provision is initially measured at the present value of future expected reclamation cash flows, discounted using the risk-free interest rate prevailing at the time the liability is incurred, and a corresponding amount is recorded in the carrying value of the related mineral property.

Subsequent to initial measurement, the provision is re-measured using the risk-free interest rate prevailing on each reporting date. Changes to the carrying value of the provision for changes to the discount rate, or for changes to the timing and amount of expected future reclamation cash flows are recorded as an adjustment to the carrying value of the related mineral property. Changes to the carrying value of the provision from the accretion of its discounted value are recorded as a financing expense.

**Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus.

**Flow-through shares**

Common shares, which by agreement are designated as flow-through shares, are usually issued at a premium to non-flow-through common shares. On issue, share capital is increased only by the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability. Pursuant to any flow-through share agreement the Company must renounce its flow-through share exploration expenditures to the flow-through share owners, and the Company gives up its rights to the income tax benefits on the exploration expenditures. The loss of the tax benefit is recorded as a deferred tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing the exploration expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **Financial instruments**

The Company recognizes a financial asset or a financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at amortized cost, fair value through other comprehensive income (“FVOCI”), or fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL.

#### *Financial assets*

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to initial recognition and how changes in value are recorded. The following accounting policies apply to the subsequent measurement of financial assets.

i) *Amortized cost* - These financial assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

ii) *Fair value through other comprehensive income (“FVOCI”)* – these financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

iii) *Fair value through profit or loss (“FVTPL”)* - any financial assets that are not held in one of the two business models mentioned above are measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

The Company’s financial assets are comprised of cash, receivables, and security deposits. Cash is measured at fair value and receivables and security deposits are measured at amortized cost. When, and only when, the Company changes its business model for managing financial assets it must reclassify all affected financial assets.

#### *Financial liabilities*

The Company’s liabilities include accounts payable and accrued liabilities, due to related parties, loans payable and convertible debentures. Financial liabilities are designated as either fair value through profit or loss, or at amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Other financial liabilities are carried on the statement of financial position at amortized cost.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

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

*Impairment*

The Company has a three-stage expected credit loss model for calculating impairment for financial assets. The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For receivables, and loans receivable, the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

**Government subsidies**

Government assistance is recorded as a reduction of the cost of the applicable assets as determined by the terms and conditions of the agreement under which the assistance is provided to the Company.

**Convertible debentures**

The component parts of convertible debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the convertible debenture as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible debenture, the balance recognised in equity will be transferred to deficit. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible debenture are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debenture using the effective interest method.

### **3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

#### **(Loss) earnings per share**

Basic (loss) earnings per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflects the dilutive effect of options, warrants and other convertible instruments. Under this method, the dilutive effect on earnings per share reflects the assumption that the proceeds from the exercise of options, warrants and other convertible instruments are used to purchase and cancel common shares at the average market price during the period. In periods that the Company reports a net loss, loss per share is not presented on a diluted basis, as the result would be anti-dilutive.

#### **Current and deferred income taxes**

Current taxes receivable or payable are estimated on taxable income for the current year at the statutory tax rates enacted or substantively enacted on the statement of financial position date.

Deferred tax assets and liabilities are recognized based on the difference between the tax and accounting values of assets and liabilities and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of tax rate changes is recognized in earnings or equity, as the case may be, in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the relevant entity or group of entities, in a particular jurisdiction, will be available against which the assets can be utilized.

#### **Share-based compensation**

The Company recognizes a share-based compensation charge in operations for stock options granted to employees, officers and directors of the Company. The share-based compensation charge is based on the fair value of option awards granted, measured using the Black-Scholes option pricing model at the date of issue. The fair value of stock options granted is amortized to expense on a graded basis over the vesting periods of the option granted with an off-setting amount recorded in contributed surplus.

Options granted to non-employees 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.

#### **Judgments, estimates and measurement uncertainty**

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and presentation of assets, liabilities, revenues, expenses and disclosures of contingencies and commitments. Although these estimates are based on management's expectations for the likely outcome, timing and amounts of events or transactions, actual results may differ from these expectations and the corresponding amounts and disclosures reported in these financial statements.

Areas where management is required to make significant estimations or where measurements are uncertain are as follows:

i) *Mineral properties and deferred exploration costs*

The measurement, depletion and impairment of mineral properties and deferred exploration costs are based on various judgments and estimates. These include the technical and commercial feasibility of these properties, which incorporates various assumptions for mineral reserves, future mineral prices, and operating and capital expenditures for the properties.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Judgments, estimates and measurement uncertainty (cont'd...)**

ii) *Reclamation provision*

The Company records a reclamation provision for the discounted present value of expected future expenditures, if any, required to environmentally reclaim its mineral properties. The measurement of this provision, if one exists, is based on estimates for the amounts and timing of future cash flows. Differences between actual cash flows and those estimated could result in the reclamation provision being over or understated.

iii) *Taxation*

Tax provisions are recognized to the extent that it is probable that there will be a future outflow of funds to a taxation authority. Such provisions often require judgment on the treatment of certain taxation matters that may not have been reported to or assessed by the taxation authority at the date of these financial statements. Differences in judgment by the taxation authority could result in changes to actual taxes payable by the Company.

Deferred tax assets are recognized to the extent that certain taxable losses or deferred expenditures will be utilized by the Company to reduce future taxes payable. The amount of deferred tax assets recognized, if any, is based on objective evidence that the Company will generate sufficient future taxable income to utilize these deferred tax assets, as well as the expected future tax rates that will apply to these assets. Changes to the Company's ability to generate sufficient taxable income or changes to enacted tax rates could result in the write-down of deferred tax assets, or the recognition of new deferred tax assets.

iv) *Share-based compensation*

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the share-based compensation expense reported.

v) *Convertible debenture*

Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

**Accounting standards, amendments and interpretations**

There are no IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**JAZZ RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year Ended June 30, 2021

**4. AMOUNTS RECEIVABLE**

	<b>June 30, 2021</b>	June 30, 2020
Input tax credits and other receivables	\$ 17,067	\$ 4,262
Mining tax credit	-	41,102
	<b>\$ 17,067</b>	<b>\$ 45,364</b>

**5. MINERAL PROPERTIES, RIGHTS, AND DEFERRED EXPLORATION COSTS**

The Company owns two mineral properties: the Teddy Glacier Property and the Spider Property which are both located in the Province of British Columbia (“B.C.”). The Teddy Glacier Property is located in the Revelstoke Mining Division in B.C., comprising of claims that are 100% owned by the Company. The Spider Property is comprised of certain Crown granted mineral claims and several land lots in fee simple within the township of Camborne, B.C.

During the year ended June 30, 2021, the Company disposed of multiple lots in connection with the Spider Property in Camborne for cash consideration of \$113,989 which was recorded as a recovery against the property;

The following table summarizes mineral rights and property costs, by property:

	<b>Teddy Glacier</b>	<b>Spider</b>	<b>Total</b>
<b>Balance, June 30, 2019</b>	<b>\$ 729,984</b>	<b>\$ 648,255</b>	<b>\$ 1,378,239</b>
Acquisition costs	1,110	-	1,110
Property taxes	-	4,942	4,942
Government subsidies (Note 4)	-	(37,364)	(37,364)
Site exploration	94,672	64,349	159,021
<b>Balance, June 30, 2020</b>	<b>825,766</b>	<b>680,182</b>	<b>1,505,948</b>
Property taxes	30,835	-	30,835
Government subsidies (Note 4)	-	38,712	38,712
Site exploration	72,505	-	72,505
Sale of lots	-	(113,989)	(113,989)
<b>Balance, June 30, 2021</b>	<b>\$ 929,106</b>	<b>\$ 604,905</b>	<b>\$ 1,534,011</b>

**5. MINERAL PROPERTIES, RIGHTS, AND DEFERRED EXPLORATION COSTS (cont'd...)**

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

Site exploration costs consists of consulting fees paid to related and third-party service providers.

**Government subsidies**

During the year ended June 30, 2021, the Company had its 2019 METC (BC Mining Exploration Tax Credit) filing reassessed and \$38,712 was repaid. As at June 30, 2021, the Company has received all B.C. mining tax credits receivable for exploration work completed.

**6. DEFERRED NET PROFIT INTEREST COSTS**

On January 20, 2021, the Company acquired from a third party, its interest in a JV Royalty Agreement dated July 6, 2020 (“JVRA”) with Eco Mining Oil & Gaz Drilling and Exploration EIRELI (“Eco”) respecting the Vila Nova gold exploration and development project located in Amapa, Brazil.

Pursuant to a purchase and sale agreement, the Company acquired a 100% interest in the JVRA, wherein the Company shall have the option and right to acquire a 50% net profits interest in the Vila Nova property. Pursuant to the terms of the JVRA, in order to exercise the option and acquire the rights thereunder, the Company must make the following payments to Eco, subject to satisfactory project assessment prior to each stage of funding:

- an initial payment of USD\$500,000 to fund the 2,000 m drilling program and related costs needed to complete the business plan to construct a 1,280 t/d bulk exploitation program on the Vila Nova property (payment made by third party prior to acquisition of the JVRA);
- a second payment of USD\$500,000 (paid); and
- a final payment of up to USD\$5,000,000 or as mutually agreed between the parties.

As of June 30, 2021, \$2,892,959 (\$2,299,930 USD) had been paid to Eco in relation to the payments for the option and acquisition of the profits interest. Additional payments totaling \$506,100 (\$400,000 USD) were made subsequent to June 30, 2021 (see Note 16).

If exercised and all payments are made, the Company shall receive a 50% net profits interest from all products and minerals produced from the Vila Nova property and exclusive rights to explore and develop the property, including initiating and carrying out commercial production. Eco will remain the sole operator of all mining-related activity on the property, including environmental remediation.

In the event the JVRA is terminated, the cash amounts advanced will convert into a 2 year term loan with interest bearing 6% per annum.

**6. DEFERRED ACQUISITION OF NET PROFIT INTERESTS (cont'd...)**

The Company acquired the right to acquire the JVRA for the Vila Nova property from a third party through issuance of 5,125,000 common shares valued at \$1,981,000 (see Note 10).

The following table summarizes the net carrying value of the deferred acquisition of net profit interests:

	<b>Vila Nova</b>
<b>Balance, June 30, 2020</b>	<b>\$ -</b>
Option and acquisition payments made	2,892,959
Shares issued to acquire JVRA	1,981,000
<b>Balance, June 30, 2021</b>	<b>\$ 4,873,959</b>

**7. RELATED PARTY TRANSACTIONS**

As at June 30, 2021, a total of \$50,833 (June 30, 2020 - \$645,452) was owing to the President of the Company.

During the year ended June 30, 2021, the Company:

- accrued \$13,370 (2020 - \$40,000) in interest on related party loans;
- repaid \$432,989 of these loans;
- repaid interest bearing loans of \$175,000.

All amounts remaining are non-interest bearing and have no fixed terms of repayment.

In addition, during the year ended June 30, 2021, \$83,500 was charged for professional fees to a company controlled by the Chief Financial Officer. As at June 30, 2021 a total owing of \$45,000 was due this company (June 30, 2020 - \$20,000) and is included in accounts payable and accrued liabilities.

As at June 30, 2021, \$406,558 (June 30, 2020 - \$406,558) was owing to a former President of the Company and \$300,684 (June 30, 2020- \$300,684) was owed to a company owned by the former President of the Company. The outstanding balances remain in accounts payable as at June 30, 2021.

During the year ended June 30, 2018, the Company received notice of a claim filed by the former President of the Company seeking to collect the outstanding balances as well as additional interest and other charges in the amount of \$1,047,615. While the outcome of this matter is uncertain, no additional provision has been accrued in respect of the claim as the Company believes the claim to be without merit and intends to vigorously defend itself should legal action be required.

**8. LOAN PAYABLE**

During the year ended June 30, 2019, the Company entered into a loan agreement for \$38,000 of which \$35,000 was received in cash with the difference of \$3,000 recorded as a financing fee. The loan bears interest at 2% per month, is unsecured and due on demand. During the year ended June 30, 2020, the Company repaid \$40,000 of principal and accrued interest. During the year ended June 30, 2021, \$431 of interest was accrued for a balance owing of \$7,708 (2020 -\$76,120).

During the year ended June 30, 2020, the Company received loans in the amount of \$70,000 from third parties. These loans bear no interest, are unsecured and payable on demand. During the year ended June 30, 2021, the Company repaid the loan by issuing 350,000 common shares as part of the private placement that completed on February 22, 2021 (see Note 10).

**9. CONVERTIBLE DEBENTURES**

During the year, the Company closed an offering of unsecured convertible debentures for a total of \$2,464,000 (the “Debentures”). The Debentures will mature two (2) years from the date of issuance and shall bear interest at a rate of 8% per annum, payable and compounded annual. The principal sum or any portion thereof, may be converted into units of the Company at a conversion price of \$0.30 per unit, commencing on the date that is six (6) months from the date that the Debentures are issued. Each unit shall be comprised of one common share (a “Conversion Share”) and one share purchase warrant (a “Warrant”). Each Warrant shall entitle the holder to acquire one additional common share (a “Warrant Share”) of the Company at a price of \$0.30 per share for a period of eighteen (18) months from the date that the Warrants are issued.

For accounting purposes, the convertible debenture has been separated into its liability and equity component using the effective interest rate method. The fair value of the liability component of the convertible debenture at the time of issue was calculated as being equivalent to the discounted cash flows for the debenture assuming an effective interest rate of 21.21% per annum. The effective interest rates were based on the estimated rate for a debenture without a conversion feature. The equity component has been recorded under equity, which was calculated as the difference between the face value of the convertible debenture and the fair value of the liability component.

As at June 30, 2021, the Company accrued \$25,785 (2020 - \$nil) of interest expenses and \$42,045 (2020 – \$nil) of accretion expenses, respectively in connection with these Debentures.

	As at June 30, 2021
Opening balance of convertible debentures	\$ -
Issuance of convertible notes	2,464,000
Less: Allocation to equity	(518,542)
Interest expense	25,785
Accretion expense	42,045
<b>Total</b>	<b>\$ 2,013,288</b>

## 10. SHARE CAPITAL

Authorized unlimited common voting shares, no par value.

### Issued

During the year, the Company issued the following common shares:

- As consideration for the purchase of its interest in the JVRA:
  - 2,150,000 common shares with a fair value of \$752,500 on January 19, 2021;
  - 1,000,000 common shares with a fair value of \$320,000 on February 25, 2021; and
  - 1,975,000 common shares with a fair value of \$908,500 on June 15, 2021.
- By way of a non-brokered private placement;
  - 3,737,000 units at a price of \$0.25 per unit for aggregate gross proceeds of \$934,250. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.35 per warrant share for a period of eighteen months from the date of issuance. The Company paid a finder's fee of \$17,340 and 50,100 warrants in relation to this issue, and;
  - 8,355,000 units at a price of \$0.20 per unit for gross proceeds of \$1,671,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.39 until six months from the date of issuance. The Company paid a finder's fee of \$14,520 and 34,500 in agent's warrants.
- By way of a warrant exercise where 61,350 of common shares were issued at a price of \$0.20 per share for total proceeds of \$12,270.
- By way of a settlement of loans payable where 350,000 common shares were issued at \$0.20 per share for a value of \$70,000.

On February 26, 2020, the Company announced an 8:1 share consolidation of its common shares, warrants and outstanding options. All of the schedules within these consolidated financial statements have been adjusted to show the adjustment retrospectively.

**10. SHARE CAPITAL (cont'd...)**

**Stock options**

As at June 30, 2021, the Company has a stock option plan in place (the "Stock Option Plan") under which it can grant a maximum number of stock options equal to 20% of the total issued and outstanding common shares. The purpose of the Stock Option Plan is to encourage ownership of the Company's common shares by persons who are directors, senior officers and employees, as well as consultants, and employees of management companies providing services to the Company. The term of any option granted under the Stock Option Plan may not exceed 10 years. The vesting periods for all options granted pursuant to the Stock Option Plan will be determined at the discretion of the Board of Directors at the time of the grant. The vesting schedule shall provide for a vesting period of at least 12 months and that the options will vest equally on a quarterly basis over the vesting period in respect to options granted to consultants performing investor relations activities. The number of options granted to any one person may not exceed 5% of the outstanding listed common shares in a 12-month period.

During the year ended June 30, 2021, the Company granted an aggregate of 1,000,000 incentive stock options with a term of five years. Each option entitles the holder to acquire one common share at a price of \$0.35 per share. As well during the year, 31,250 options expired.

Vesting terms for the 1,000,000 options granted February 22, 2021 are one third vesting upon issuance, and one third at the end of years two and three grant date.

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value, at the grant date, of the options issued. In all the calculations the annual dividend yield was assumed to be \$nil, and expected volatility was based on historical volatility. All other assumptions are summarized below:

	As at June 30, 2021		As at June 30, 2020	
	Number of Options	Weighted Ave. Exercise Price	Number of Options	Weighted Ave. Exercise Price
Outstanding, beginning of year	31,250	\$ 0.80	237,500	\$ 0.80
Granted	1,000,000	\$ 0.35	-	\$ -
Expired/Cancelled	(31,250)	\$ (0.80)	(206,250)	\$ 0.80
Outstanding, end of year	<u>1,000,000</u>	<u>\$ 0.35</u>	<u>31,250</u>	<u>\$ 0.80</u>

As at June 30, 2021, the following stock options are outstanding and exercisable:

Number of options outstanding	Number of options		Remaining life (yrs)	Expiry
	exercisable	Exercise price		
1,000,000	333,333	\$ 0.35	4.65	February 22, 2026

During the year, the Company recorded share-based compensation of \$93,314 (2020 - \$nil) relating to stock options. Share based compensation is measured at the fair value of options at the date of grant and is expensed over the vesting period. The amount was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2021
Expected volatility	112%
Expected life	5 years
Risk-free interest rate	0.22%
Dividend yield	0.00%

**10. SHARE CAPITAL (cont'd...)**

**Share purchase warrants**

Share purchase warrant transactions are summarized as follows:

As at June 30, 2021 the following warrants were outstanding and exercisable:

	Number of Warrants		Weighted Average Exercise Price
<b>Balance at June 30, 2019</b>	192,188	\$	0.96
Issued	125,000	\$	0.56
Expired	(192,188)	\$	0.96
<b>Balance at June 30, 2020</b>	<b>125,000</b>	<b>\$</b>	<b>0.56</b>
Issued	12,526,600	\$	0.38
Excersied	(61,350)	\$	0.27
Expired	(5,680,000)	\$	0.56
<b>Balance at June 30, 2021</b>	<b>6,910,250</b>	<b>\$</b>	<b>0.37</b>

During the year ended June 30, 2021, the Company granted 12,442,000 warrants to investors as well as 84,600 broker warrants pursuant to two non-brokered private placements. The fair value of broker warrants granted of \$20,215 were estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	<u>November 6, 2020</u>	<u>February 19, 2021</u>
Expected volatility	106%	112%
Expected life	0.5 years	1.5 years
Risk-free interest rate	0.24%	0.22%
Dividend yield	0%	0%

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**11. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2021</b>	<b>2020</b>
Loss for the year	\$ (468,475)	\$ (160,065)
Expected income tax (recovery)	\$ (158,000)	\$ (43,000)
Change in statutory, foreign tax, foreign exchange rates and other	9,000	(4,000)
Permanent differences	25,000	-
Share issue cost	(16,000)	-
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	28,000	-
Change in unrecognized deductible temporary differences	(28,000)	47,000
<b>Total income tax expense (recovery)</b>	<b>\$ (140,000)</b>	<b>\$ -</b>

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	<b>2021</b>	<b>2020</b>
Deferred tax assets (liabilities)		
Exploration and evaluation assets	\$ 42,000	\$ 48,000
Property and equipment	13,000	13,000
Share issue costs	13,000	-
Convertible debentures	(138,000)	-
Allowable capital losses	-	-
Non-capital losses available for future period	730,000	627,000
	660,000	688,000
Unrecognized deferred tax assets	(660,000)	(688,000)
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2021</b>	<b>Expiry Date</b>	<b>2020</b>	<b>Expiry Date Range</b>
<b>Temporary Differences</b>				
Exploration and evaluation assets	\$ 12,000	No expiry date	\$ 101,000	No expiry date
Investment tax credit	53,000	2028 to 2034	28,000	2028 to 2034
Property and equipment	48,000	No expiry date	47,000	No expiry date
Share issue costs	49,000	2042 to 2045	1,000	2038 to 2041
Non-capital losses available for future periods	2,193,000	2028 to 2041	2,322,000	2028 to 2039

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**12. SEGMENTED INFORMATION**

The Company operates in two reportable operating segments, being the acquisition and development of mineral rights and properties in Canada and Brazil. Other than the loans receivable and deferred acquisition of net profit interests (Note 6), the remaining operations pertained to the properties in Canada

### **13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

The significant non-cash transactions during the years ended June 30, 2021 and 2020:

- Accrued interest on loans of \$6,120;
- Issuance of 5,125,000 common shares with a value of \$1,981,000 as consideration for the purchase of its interest in the JVRA;
- Settlement of \$70,000 of loans payable with the issuance of 350,000 common shares;
- Issuance of 84,600 warrants at a fair value of \$34,036.

The significant non-cash transactions during the year ended June 30, 2020 were as follows:

- \$374,173 in deferred exploration costs were included in accounts payable and accrued liabilities;
- \$198,000 in deferred exploration costs were included in due to related parties. Of this amount, \$72,000 was accrued during the current year, and;
- Share subscriptions receivable of \$25,000 which was received during the year.

### **14. FINANCIAL INSTRUMENTS AND RISKS**

The Company's financial instruments consist of cash, amounts receivable, security deposits, accounts payable and accrued liabilities, due to related parties, loan payable and convertible debentures payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

**14. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)**

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at June 30, 2021 as follows:

	Fair Value Measurements Using			Balance, June 30, 2021 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	1,082,495	—	—	1,082,495

As June 30, 2021, the Company's cash is measured at level 1 inputs of the fair value hierarchy, consisting of quoted prices in active markets for identical assets. The fair value of all other financial instruments approximates their carrying values due to the relatively short-term maturity of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2021, the Company had a cash balance of \$1,082,495 to settle current liabilities of \$3,362,962.

There is a risk that the Company may not be able to fulfill its obligation when a liability is due. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

#### **14. FINANCIAL INSTRUMENTS AND RISKS (cont'd...)**

##### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has \$33,500 of security deposits earning interest at an average rate of 0.57% per annum.

(b) Foreign currency risk

The Company does not have assets or liabilities in a foreign currency and therefore is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### **15. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. share capital, contributed surplus and deficit).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements. The Company's overall strategy remains unchanged from the year ended June 30, 2020.

#### **16. SUBSEQUENT EVENTS**

Subsequent to June 30, 2021, the Company:

- Issued additional loans of \$506,100 in relation to the purchase of the JVRA;
- 650,000 share purchase warrants were exercised for total proceeds of \$249,500;
- \$186,000 of convertible debt was issued, and;
- Granted 500,000 incentive stock options to a director and officer of the Company.