
FAIRCHILD GOLD CORP.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED AUGUST 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Fairchild Gold Corp.

Opinion

We have audited the accompanying consolidated financial statements of Fairchild Gold Corp. (the "Company") which comprise the consolidated statements of financial position as at August 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the periods ended August 31, 2021 and 2020, and the related notes, including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2021 and 2020, and its financial performance and its cash flows for the periods ended August 31, 2021 and 2020 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which indicates that a material uncertainty exists that 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 Management's Discussion and Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and do not and will 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 audit and remain alert for indicators that the other information 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.

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

Management is responsible for the preparation and fair presentation of these 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.

Auditors' 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 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 audit resulting in this independent auditors' report is Fernando J. Costa.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
December 24, 2021

FAIRCHILD GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT AUGUST 31, 2021 AND 2020
(Expressed in Canadian dollars)

	2021	2020
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 499,983	\$ 146,397
Amounts receivable (Note 7)	28,639	409
Prepaid expenses	10,168	3,938
	<u>538,790</u>	<u>150,744</u>
DEFERRED COST	-	37,450
RIGHT-OF-USE ASSET (Note 12)	88,470	-
EXPLORATION AND EVALUATION ASSET (Note 5)	178,093	155,932
	<u>\$ 805,353</u>	<u>\$ 344,126</u>
LIABILITIES		
CURRENT		
Accounts payable (Note 7)	\$ 56,738	\$ 77,251
NON-CURRENT		
Lease liability (Note 12)	29,144	-
	<u>85,882</u>	<u>77,251</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	1,000,952	321,201
CONTRIBUTED SURPLUS	268,804	147,000
DEFICIT	(550,285)	(201,326)
	<u>719,471</u>	<u>266,875</u>
	<u>\$ 805,353</u>	<u>\$ 344,126</u>

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS (Note 11)
SUBSEQUENT EVENT (Note 13)

Approved on behalf of the Board:

"Luis Martins"
Director

"Mark Lotz"
Director

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

FAIRCHILD GOLD CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE PERIODS ENDED AUGUST 31, 2021 AND 2020
(Expressed in Canadian dollars)

	2021	2020
EXPENSES		
Advertising and promotion	\$ 11,642	\$ -
Management fees <i>(Note 7)</i>	44,631	27,000
Office expense	41,780	5,991
Professional fees <i>(Note 7)</i>	187,787	14,585
Rent <i>(Note 7)</i>	12,096	6,750
Share-based compensation <i>(Note 6 and 7)</i>	47,000	147,000
Travel	4,023	
NET LOSS AND COMPREHENSIVE LOSS	\$ (348,959)	\$ (201,326)
LOSS PER SHARE – BASIC AND DILUTED	\$ (0.04)	\$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	9,621,670	5,227,798

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

FAIRCHILD GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED AUGUST 31, 2021 AND 2020
(Expressed in Canadian dollars)

	2021	2020
OPERATING ACTIVITIES		
Net loss for the period	\$ (348,959)	\$ (201,326)
Item not involving cash:		
Share-based compensation	47,000	147,000
	(301,959)	(54,326)
Changes in non-cash working capital balances:		
Amounts receivable	(25,076)	(409)
Due from related parties	(3,154)	-
Due to related parties	12,136	-
Prepaid expenses	(6,230)	(3,938)
Accounts payable	(32,649)	77,251
Cash provided by / (used in) operating activities	(356,932)	18,578
INVESTING ACTIVITIES		
Exploration and evaluation assets	(22,161)	(155,932)
FINANCING ACTIVITIES		
Lease payment	(59,326)	-
Shares issued for cash, net of costs	792,005	321,201
Deferred cost	-	(37,450)
Cash provided by financing activities	732,679	283,751
CHANGE IN CASH	353,586	146,397
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	146,397	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 499,983	\$ 146,397

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

FAIRCHILD GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED AUGUST 31, 2021 AND 2020
(Expressed in Canadian dollars)

	Common shares		Contributed surplus	Deficit	Total equity
	Number of shares	Amount			
Incorporation shares, November 28, 2019	1	\$ 1	\$ -	\$ -	1
Founders shares issued	3,000,000	3,000	147,000	-	150,000
Shares issued for cash	5,177,500	318,200	-	-	318,200
Net loss for the period	-	-	-	(201,326)	(201,326)
As at August 31, 2020	8,177,501	\$ 321,201	\$ 147,000	\$ (201,326)	\$ 266,875
As at September 1, 2020	8,177,501	\$ 321,201	\$ 147,000	\$ (201,326)	\$ 266,875
Shares issued for cash	6,900,000	1,035,000	-	-	1,035,000
Share issuance costs	-	(355,249)	74,804	-	(280,445)
Share based payments	-	-	47,000	-	47,000
Net Loss for the period	-	-	-	(348,959)	(348,959)
As at August 31, 2021	15,077,501	\$ \$1,000,952	\$ 268,804	\$ (550,285)	\$ 719,471

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

FAIRCHILD GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED AUGUST 31, 2021 AND 2020
(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Fairchild Gold Corp. (the “Company”) was incorporated on November 28, 2019 under the laws of British Columbia. The address of the Company’s corporate office and its principal place of business is 9285 – 203B Street, Langley, British Columbia, Canada. The Company’s common shares trade on the Canadian Venture Exchange under the symbol FAIR.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2021, the Company has not yet determined whether the Company’s mineral property assets contain ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition

The Company had a deficit of \$550,285 as at August 31, 2021, which has been funded by the issuance of equity. The Company’s ability to continue its operations and to realize its assets at their carrying value is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments.

2. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated. The Company’s subsidiaries are presented in the table below.

Entity	Country of Incorporation	Effective Economic Interest
Fairchild Gold (NV) Inc.	USA	100%

3. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

FAIRCHILD GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED AUGUST 31, 2021 AND 2020
(Expressed in Canadian dollars)

3. BASIS OF PREPARATION (continued)

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for year ended August 31, 2021 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on December 24, 2021.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value as explained in the accounting policies set out in Note 4.

The functional and presentation currency of the Company is the Canadian dollar. The functional currency of Fairchild Gold (NV) Inc. is the US dollar.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realized values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

a) Cash and Cash Equivalents

Cash equivalents include short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash. As of August 31, 2021, the Company held no cash equivalents.

b) Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the consolidated financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant Accounting Estimates

- i. the measurement of deferred income tax assets and liabilities;
- ii. the inputs used in accounting for share-based payments; and
- iii. the inputs used in calculating the present value of certain cash inflows and outflows.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Significant Accounting Estimates and Judgements

Significant accounting judgments

- i. the determination of categories of financial assets and financial liabilities;
- ii. the evaluation of the Company's ability to continue as a going concern; and
- iii. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable.

c) Income Taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the consolidated financial statements date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the consolidated statement of financial position date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

d) Loss Per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive. Basic and diluted loss per share excludes all of the Company's common shares from the weighted average shares calculation that are contingently returnable.

e) Share Issuance Costs

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are charged to operations.

f) Share-based Payments

The fair value of equity settled stock options awarded to employees defined under IFRS 2 Share-based payments (i.e. employees for legal and tax purpose, directors and certain consultants), determined as of the date of grant, and awarded to non-employees defined under IFRS 2, as of the date of delivery of service, is recognized as share-based payments, included in general and administrative expenses in the statement of comprehensive loss, over the vesting period of the stock options based on the estimated number of options expected to vest, with a corresponding increase to equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments

On initial recognition financial assets are classified as measured at:

- i. Amortized cost;
- ii. Fair value through other comprehensive income (“FVOCI”); and
- iii. Fair value through profit and loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of financial assets depends on their classification:

i. Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at amortized cost.

ii. FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains and losses, interest revenue, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included as finance income using the effective interest rate method.

The Company does not have any assets classified at FVOCI.

iii. FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net as revenue in the statement of operations and comprehensive loss in the period in which it arises.

The Company’s cash and cash equivalents are classified at FVTPL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments (continued)

Financial Liabilities and Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. 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 group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as measured at (i) FVTPL; or (ii) amortized cost.

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. The amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI and the remaining amount of the change in the fair value is presented in profit or loss.

The Company does not classify any financial liabilities at FVTPL.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Company classifies its accounts payable and lease liability at amortized cost.

A financial liability is derecognized when the contractual obligation under the liability is discharged, cancelled or expires or its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

h) Exploration and Evaluation Assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Exploration and Evaluation Assets (continued)

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

i) Decommissioning, Restoration and Similar Liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

j) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

FAIRCHILD GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED AUGUST 31, 2021 AND 2020
(Expressed in Canadian dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Foreign Currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates (“the functional currency”), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

l) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized. Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

m) Adoption of New Accounting Standards, Interpretations and Amendments

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

5. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
Balance at November 28, 2019	\$ -	\$ -	\$ -
Additions:			
Cash	16,000	-	16,000
Labour	-	33,164	33,164
Labs	-	6,643	6,643
Magnetic survey	-	60,681	60,681
Mobilisation and demobilisation	-	15,000	15,000
Supplies	-	3,573	3,573
Travel	-	20,871	20,871
Balance, August 31, 2020	\$ 16,000	\$ 139,932	\$ 155,932
Additions:			
Cash	12,000	-	12,000
Report	-	10,161	10,161
Balance, August 31, 2021	\$ 28,000	\$ 150,093	\$ 178,093

5. EXPLORATION AND EVALUATION ASSET (continued)

Fairchild Lake property option

On January 16, 2020, the Company (the "Optionee") entered into a Mineral Property Option Agreement (the "Agreement") with 1544230 Ontario Inc. (the "Optionor"). Pursuant to the Agreement, the Optionee has an option to acquire 100% interest in the mineral claims known as Fairchild lake mineral property located in the Kenora Mining Division of Ontario (the "Claims") from the Optionor.

Under the terms of the Agreement, the Optionor has granted the Optionee the option to acquire all rights, title and interest in the Claims. In addition, the Claims are subject to the reservation by the Optionor of a 1.5% net smelter returns royalty (the "Optionor's NSR") to be paid by the Optionee upon exercise of the option in full.

Under the Option Agreement, the Optionee will make cash payments totaling \$86,000 as follows:

- a. \$16,000 upon execution and delivery of this agreement – **paid**,
- b. \$12,000 on or before January 16, 2021– **paid**,
- c. \$14,000 on or before January 16, 2022,
- d. \$16,000 on or before January 16, 2023, and
- e. \$28,000 on or before January 16, 2024.

Following the exercise of the Option, the Optionee will have the right to purchase a one-half interest (0.75%) of the Optionor's NSR for \$500,000.

On June 24, 2020, the Optionor entered into an assignment and assumption agreement whereby the Optionor assigned the rights, title and interest in the Claims to EMX Royalty Corporation.

6. SHARE CAPITAL

- a) Authorized: Unlimited number of common shares without par value.
- b) Escrow shares:

As at August 31, 2021, the Company has entered into an escrow agreement, whereby common shares will be held in escrow and are scheduled for release at the following intervals:

- 10% of the escrowed shares will be released on the listing date; and
- 15% every 6 month interval thereafter, over a period of 36 months.

As at August 31, 2021 there are 4,050,001 shares in escrow.

- c) Issued and outstanding as at August 31, 2021: 15,077,501 common shares

During the period ended August 31, 2021 the Company had the following transaction:

On June 17, 2021 the common issued 6,900,000 common shares pursuant to an IPO at a price of \$0.15 per share for gross proceeds of \$1,035,000. The company recorded share issuance costs of \$355,249. Included in the share issuance costs is a fair value of 690,000 for stock options issued. The Company recognized a fair value of \$74,804 for agent options issued.

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6. SHARE CAPITAL (continued)

Issued and outstanding as at August 31, 2020: 8,177,501 common shares.

During the period ended August 31, 2020, the Company had the following transactions:

On November 28, 2019, the Company issued a common share for incorporation for gross proceeds of \$1.

On November 30, 2019, the Company issued 3,000,000 common shares at a price of \$0.001 per share for gross proceeds of \$3,000 to the founders. The founder shares had a fair value of \$150,000 and as a result, the Company recorded share-based compensation of \$147,000 and a corresponding increase to contributed surplus.

On January 24, 2020, the Company completed a private placement for 1,000,000 flow-through common shares at a price of \$0.05 per share for gross proceeds of \$50,000.

On February 25, 2020, the Company completed a private placement for 1,700,000 flow-through common shares at \$0.05 per share for gross proceeds of \$85,000.

On June 10, 2020, the Company completed a private placement for 500,000 non-flow-through common shares at \$0.05 per share for gross proceeds of \$25,000.

On August 11, 2020, the Company completed a private placement for 1,977,500 non-flow-through common shares at \$0.08 per share for gross proceeds of \$158,200.

Under the terms of the flow-through share private placements, the Company must incur \$135,000 of Canadian Exploration Expenditures and renounce them to the shareholders of the Company. As of August 31, 2020, the Company had not made any renunciation and had incurred the \$135,000 in exploration expenditures.

d) Stock Options

On November 2, 2020, the Company established a Stock Option Plan to govern the grant, administration and exercise of Options which may be granted to eligible Optionees. The Plan is designed to be a "rolling" stock option plan under Exchange Policies, reserving at any one time a maximum of 10% of issued Shares of the Corporation of the exercise of Options.

On November 2, 2020, the Company issued 750,000 stock options to directors and officers of the Company. The stock options are exercisable for \$0.15 per common share expiring on November 2, 2025. For the year ended August 31, 2021, the Company recorded a share-based compensation of \$47,000.

On June 17, 2021, the Company issued 690,000 stock options to IPO agents of the Company. The stock options are exercisable for \$0.15 per common share expiring on June 17, 2024. For the year ended August 31, 2021, the Company recorded a share-based compensation of \$74,804.

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6. SHARE CAPITAL (continued)

d) Stock Options (continued)

The Company uses the Black-Scholes option pricing model to estimate the fair value for all share-based compensation. The assumptions used in this pricing model, and the resulting fair values per option, for the options granted during the period ended August 31, 2021, are as follows:

	November 2, 2020	June 17, 2021
(i) Risk-free interest rate	1.38%	0.37%
(ii) Expected life	5 years	3 years
(iii) Expected volatility	125%	125%
(iv) Expected dividend yield	0%	0%
(v) Expected forfeiture rate	0%	0%
(vi) Fair value per option	0.06	0.11

e) Stock Options

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of options	Weighted average exercise price \$	Weighted average years outstanding	Expiry date
Outstanding September 1, 2020	-	\$ -	-	-
Granted	1,440,000	\$0.15	4.14	November 2, 2025 June 17, 2024
Outstanding, August 31, 2021	1,440,000	\$0.15	4.14	

7. RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The Company had incurred the following key management personnel cost from related parties:

	2021	2020
	\$	\$
Management fees	44,000	27,000
Professional fees	56,957	7,602
Rent	9,000	6,750
Share-based payments	47,000	147,000

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7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management includes directors and key officers of the Company, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”). During the period ended August 31, 2021 the Company issued 750,000 stock options with an exercise price of \$0.15 to directors and officers. Accordingly, the Company recorded an amount of \$47,000 as share-based compensation for the period ended August 31, 2021.

During the period ended August 31, 2021, the Company paid management fees of \$44,000 and rent of \$9,000 to a company controlled by the CEO and director of the Company.

During the period ended August 31, 2021 the company incurred \$52,111 in accounting fees to a company controlled by the CFO and director of the Company. As at August 31, 2021, accounts payable includes a total of \$224 payable to the same company.

The during the period ended August 31, 2021 the company paid \$4,847 in legal fees to an entity controlled by a family member of the CFO and director of the Company.

As at August 31, 2021, the Company has a total of \$3,154 due from the CEO as a result of advances made for the Company’s operating activities during the year ended August 31, 2021.

8. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the identification, evaluation and acquisition of a Qualified Transaction. The Company does not have any externally imposed capital requirements to which it is subject.

The Company’s capital structure consists of equity and share subscriptions. As at August 31, 2021, the Company had capital resources consisting of cash. 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. To maintain or adjust the capital structure, the Company may attempt to issue common shares or dispose of assets or adjust the amount of cash.

9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Fair value of financial instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's consolidated statements of financial position as at August 31, 2020 were as follows:

	Carrying amount	Fair value measurement using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 499,983	\$ 499,983	\$ -	\$ -

Financial risk management objectives and policies

The Company's financial instruments include cash and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk, the Company places these instruments with a high quality financial institution.

Interest Rate Risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

Liquidity risk

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

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10. INCOME TAXES

The following table reconciles the amount of income tax recoverable on application of the combined statutory Canadian federal and provincial income tax rates:

	2021	2020
Canadian statutory income tax rate	27%	27%
Income tax recovery at statutory rate	(94,000)	\$ (54,358)
Permanent differences	13,000	39,690
Change in deferred tax assets not recognized	81,000	14,668
<u>Deferred income tax recovery</u>	<u>\$ -</u>	<u>\$ -</u>

Significant components of the Company's deferred income tax assets are shown below:

	2021	2020
Non-capital loss carry forwards	\$ 111,000	\$ 14,668
Share issuance costs	45,000	-
Deferred tax assets not recognized	(156,000)	(14,668)
	<u>\$ -</u>	<u>\$ -</u>

As at August 31, 2021, the Company had approximately \$412,000 in non-capital loss carry forward available to reduce taxable income for future year. The non-capital losses expire in 2041.

11. COMMITMENTS

The Company is committed to certain cash payments, common share issuances and exploration expenditures as described in Note 5.

12. RIGHT-OF-USE ASSET AND LEASE LIABILITY

Right-of-use Asset

The following is the continuity of the cost and accumulated amortization of right-of-use asset, for the year ended August 31, 2021:

	2021
Opening balance	\$ -
Additions	88,470
Amortization expense for the year	(-)
<u>Balance, August 31, 2021</u>	<u>\$ 88,470</u>

Lease liability

The following is the continuity of lease liability, for the year ended August 31, 2021:

	2021
Opening balance	\$ -
Additions	88,470
Lease prepayments	(59,326)
<u>Balance, August 31, 2021</u>	<u>\$ 29,144</u>
Current portion	-
<u>Long-term portion</u>	<u>\$ 29,144</u>

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12. RIGHT-OF-USE ASSET AND LEASE LIABILITY (Continued)

As at August 31, 2021, the minimum lease payments for the lease liabilities are as follows:

Year ending:		
2022	\$	-
2023		29,569
	\$	29,569
Less: Interest expense on lease liabilities		(425)
Total present value of minimum lease payments	\$	29,144

On August 6, 2021, Fairchild Gold (NV) Inc. entered into an eighteen-month lease agreement for leased premises in Henderson, Nevada, commencing September 1, 2021 and ending on February 28, 2023. The minimum base rent is US\$ 3,906 per month for the entire lease period from September 1, 2021. The Company made total lease payments of US\$46,872 during the year ended August 31, 2021 to cover twelve months of lease payments commencing September 1, 2021 up to August 31, 2022.

13. SUBSEQUENT EVENT

On December 14, 2021, the Company filed a preliminary short form prospectus ("Prospectus"). The Company intends to offer up to 10 million units priced at \$0.20 per units for total proceeds of up to \$2 million. Each unit consists of one common share and one share purchase warrant. Each warrant will entitle the holder to acquire one common share at an exercise price of \$0.30 per common share for a period of 36 months following the closing date of the Prospectus. In connection with the Prospectus the Company has entered into an agreement with an agent (the "Agent") and pursuant to the terms of the agreement, the Company agreed to pay the Agent a cash commission of 8% of the gross proceeds of the Prospectus. The Company also agreed to grant the Agent options (the "Agent's Options") which will entitle the Agent to purchase up to 8% of the units sold under the Prospectus, at a purchase price that is equal to the price per unit offered in the Prospectus. The Agent's Options are exercisable until 36 months from the closing of the Prospectus. In addition, the Company agreed to pay a corporate finance fee of \$50,000 plus taxes. The Company will also pay the Agent's legal fees incurred and any other reasonable expenses pursuant to the Prospectus.