

**GOLD RUSH CARIBOO CORP.**

**Audited Consolidated Financial Statements**

**For the years ended June 30, 2019 and June 30, 2018**

**(Expressed in Canadian dollars)**

## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of Gold Rush Cariboo Corp.**

#### **Opinion**

We have audited the consolidated financial statements of **Gold Rush Cariboo Corp.** (the Company), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in deficiency and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards (Canadian GAAS). 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 is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## **Other Information**

Management is responsible for the other information. The other information comprises:

- 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 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, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 GAAS 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 GAAS, we exercise professional judgement 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 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.

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 Howard Wolle.

A handwritten signature in black ink that reads "S + W LLP". The letters are stylized and connected, with a plus sign between the S and W.

October 28, 2019  
Toronto, Canada

S & W LLP  
Chartered Professional Accountants, Licensed Public Accountants

**GOLD RUSH CARIBOO CORP.**  
**Consolidated Statements of Financial Position**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

	June 30, 2019	June 30, 2018
<b>Assets</b>		
<b>Current</b>		
Cash (Note 5)	\$ 30,078	\$ 61,575
GST/HST receivable (Note 6)	20,147	21,287
Prepaid expenses and deposits (Note 7)	-	30,141
Consulting fee advance (Note 8)	-	69,035
	<b>50,225</b>	182,038
<b>Property, plant and equipment (Note 9)</b>	<b>22,008</b>	31,116
<b>Mining Equipment (Note 9)</b>	<b>1</b>	1,250,806
<b>Mining property &amp; rights acquisition costs (Note 10)</b>	<b>2</b>	3,408,889
<b>Total Assets</b>	<b>\$72,236</b>	<b>\$ 4,872,849</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 183,820	\$ 177,121
Due to officers and directors (Note 11(a))	-	4,224
Due to consultants (Note 12)	188,327	3,244
Due to Power Group Projects Corp.	25,000	-
Current portion of convertible promissory note payable (Note 13)	375,000	175,000
	<b>772,147</b>	359,589
<b>Convertible Promissory Note Payable (Note 13)</b>	<b>1,098,929</b>	1,164,494
<b>Shareholders' Equity</b>		
<b>Share capital (Note 14)</b>	<b>7,342,715</b>	7,304,472
<b>Equity component of convertible promissory note payable (Note 13)</b>	<b>984,700</b>	984,700
<b>Warrant reserve (Note 14(d))</b>	<b>1,183,961</b>	1,265,799
<b>Share-based payments reserve (Note 14(e))</b>	<b>453,754</b>	469,497
<b>Contributed surplus (Note 14(f))</b>	<b>2,683,843</b>	2,602,005
<b>Deficit</b>	<b>(14,447,813)</b>	(9,277,707)
	<b>(1,798,840)</b>	3,348,766
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 72,236</b>	<b>\$ 4,872,849</b>

*Nature of Operations and Going Concern (Note 1)*

*Commitments and Contingencies (Note 17)*

Approved by the Board                     "Brian Stecyk"                      
Director (Signed)

                    "John Dyer"                      
Director (Signed)

**GOLD RUSH CARIBOO CORP.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

	June 30,	
	2019	2018
<b>Expenses</b>		
Exploration and evaluation expenditures (Note 18)	\$ 31,061	\$ 37,581
Management fees (Note 11)	-	67,500
Consulting fees	155,574	192,795
Professional fees	73,361	39,731
Stock-based compensation	-	376,797
Investor relations	980	27,684
Filing and transfer fees	8,280	23,729
General and administrative	50,724	76,573
Interest on convertible promissory note (Note 13)	46,890	149,293
Accretion on convertible promissory note (Note 13)	134,435	-
Amortization (Note 9)	9,109	48,864
Impairment of mining equipment (Note 9)	1,250,804	-
Impairment of mining properties (Note 10)	3,408,887	-
	<b>5,170,106</b>	<b>1,040,547</b>
<b>Net Loss and Comprehensive Loss for the year</b>	<b>(5,170,106)</b>	<b>(1,040,547)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.13)</b>	<b>\$ (0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>39,632,411</b>	<b>26,013,244</b>

**GOLD RUSH CARIBOO CORP.**  
**Consolidated Statements of Changes in Deficiency**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

	Number of Shares (Note 1)	Amount	Equity Component of Convertible	Warrants Reserve	Share-based Payments Reserve	Contributed Surplus	Accumulated Deficit	Total
<b>Balance at June 30, 2017</b>	<b>17,078,411</b>	<b>\$ 5,699,962</b>	<b>\$ -</b>	<b>\$ 500,838</b>	<b>\$ 97,961</b>	<b>\$ 2,211,339</b>	<b>\$ (8,237,160)</b>	<b>\$ 272,940</b>
Exercise of warrants	850,000	155,834	-	(28,334)	-	-	-	127,500
Private placement	8,854,000	1,770,800	-	-	-	-	-	1,770,800
Valuation of warrants issued upon private placement	-	(1,170,761)	-	1,170,761	-	-	-	-
Share issuance costs	-	(130,382)	-	-	-	-	-	(130,382)
Finders warrants issued	-	-	-	13,200	-	-	-	13,200
Shares issued on acquisition of Subsidiary	12,600,000	971,258	-	-	-	-	-	971,258
Exercise of stock options	25,000	7,761	-	-	(5,261)	-	-	2,500
Expiry of warrants	-	-	-	(390,666)	-	390,666	-	-
Stock based compensation	-	-	-	-	376,797	-	-	376,797
Equity component of convertible promissory note	-	-	984,700	-	-	-	-	984,700
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(1,040,547)	(1,040,547)
<b>Balance at June 30, 2018</b>	<b>39,407,411</b>	<b>\$ 7,304,472</b>	<b>\$ 984,700</b>	<b>\$ 1,265,799</b>	<b>\$ 469,497</b>	<b>\$ 2,602,005</b>	<b>\$ (9,277,707)</b>	<b>\$ 3,348,766</b>
<b>Balance at June 30, 2018</b>	<b>39,407,411</b>	<b>\$ 7,304,472</b>	<b>\$ 984,700</b>	<b>\$ 1,265,799</b>	<b>\$ 469,497</b>	<b>\$ 2,602,005</b>	<b>\$ (9,277,707)</b>	<b>\$ 3,348,766</b>
Exercise of Options	225,000	38,243	-	-	(15,743)	-	-	22,500
Expiry of warrants	-	-	-	(81,838)	-	81,838	-	-
Net loss and comprehensive loss for the year	-	-	-	-	-	-	(5,170,106)	(5,170,106)
<b>Balance at June 30, 2019</b>	<b>39,632,411</b>	<b>\$ 7,342,715</b>	<b>\$ 984,700</b>	<b>\$ 1,183,961</b>	<b>\$ 453,754</b>	<b>\$ 2,683,843</b>	<b>\$ (14,447,813)</b>	<b>\$ (1,798,840)</b>

**GOLD RUSH CARIBOO CORP.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

	June 30,	
	2019	2018
<b>Cash provided by (used in)</b>		
<b>Operating Activities</b>		
Net loss	\$ (5,170,106)	\$ (1,040,547)
Items not affecting cash		
Stock based compensation	-	376,797
Interest accretion	134,435	74,194
Amortization of intangible assets	9,109	48,864
Impairment of Mining rights	3,408,887	-
Impairment of Mining equipment	1,250,804	-
	<b>(366,871)</b>	<b>(540,692)</b>
Net changes in non-cash working capital		
Accounts receivable	-	12,984
Prepaid expenses and deposits	30,141	(7,021)
Accounts payable and accrued liabilities	6,698	86,705
GST/HST receivable	1,141	(7,859)
<b>Cash (used in) operating activities</b>	<b>(328,891)</b>	<b>(455,883)</b>
<b>Investing Activities</b>		
Purchase of Property, Plant and Equipment	-	(1,237,990)
Cash acquired on acquisition of subsidiary	-	1,256
<b>Cash (used in) investing activities</b>	<b>-</b>	<b>(1,236,734)</b>
<b>Financing Activities</b>		
Common shares issued on private placement	-	1,653,618
Advance to shareholder	-	(13,775)
Warrants exercised	-	127,500
Stock options exercised	22,500	2,500
Loan payable – Power Group Projects	25,000	-
Advances to consultants	254,118	(1,974)
Advances to directors and officers	(4,224)	(17,141)
<b>Cash provided by financing activities</b>	<b>297,394</b>	<b>1,750,728</b>
<b>Net change in cash</b>	<b>(31,497)</b>	<b>58,111</b>
<b>Cash, beginning of year</b>	<b>61,575</b>	<b>3,464</b>
<b>Cash, end of year</b>	<b>\$ 30,078</b>	<b>\$ 61,575</b>

**GOLD RUSH CARIBOO CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

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

Gold Rush Cariboo Corp. (formerly Cava Resources Inc.) ("Company") is principally engaged in the acquisition, exploration of mineral properties in North America. The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain enough mineral deposits, such that their recovery would be economically viable. The Company trades on the TMX Venture Exchange under the symbol GDBO. The address of the Company's corporate office and principal place of business is 393 University Ave., Ste 1810, Toronto, Ontario, Canada M5G 1E6.

The Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties; however, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

On June 19, 2018, under Articles of Amendment, the Company changed its name to Gold Rush Cariboo Corp

**Going Concern**

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations and the Company has incurred significant losses to date resulting in a cumulative deficit of \$14,447,813 as at June 30, 2019 (June 30, 2018 - \$9,277,707). The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future. As at June 30, 2019, the Company had current assets of \$50,225 (June 30, 2018 - \$182,038) to cover current liabilities of \$772,147 (June 30, 2018 - \$359,589). The Company has no proven history of performance, earnings or success. These conditions raise material uncertainties which cast significant doubt as to whether the Company will be able to continue as a going concern over the next 12 months should it not be able to obtain the necessary financing to fund exploration programs and working capital requirements.

**GOLD RUSH CARIBOO CORP.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian dollars)**

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**2. BASIS OF PRESENTATION**

(a) Statement of Compliance

These consolidated financial statements of the Company 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"). The consolidated financial statements for the year ended June 30, 2019 were authorized for issue by the Board of Directors on October 28, 2019.

The Company operates in one segment defined as the cash generating unit ("CGU") which is North America.

(b) Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is also the Company's and its subsidiaries' functional currency.

(d) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned and controlled operating subsidiaries, Gold Rush Cariboo Inc. The financial statements of its subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases. All significant inter-company transactions and balances have been eliminated on consolidation. All references to the Company should be treated as references to the Company and its subsidiaries.

(e) Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these judgments, estimates and assumptions could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The significant areas of estimation uncertainty considered by management in preparing the interim condensed consolidated financial statements were the same as those in the annual financial statements for the year ended June 30, 2019.

(f) Application of new International Financial Reporting Standards ("IFRS")

The following standards have been adopted on July 1, 2018:

**IFRS 9 *Financial Instruments*** ("IFRS 9"): This standard replaced IAS 39 Financial Instruments Recognition and Measurement. This standard sets out revised guidance for classifying and measuring financial assets and liabilities, introduced a new expected credit loss model for calculating impairment of financial assets and includes a reformed approach to hedge accounting.

**GOLD RUSH CARIBOO CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

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**2. BASIS OF PRESENTATION (Cont'd)**

(f) Application of new International Financial Reporting Standards (“IFRS”) (Cont'd)

The standard also requires that when a financial liability at amortized is modified or exchanged, and such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss.

Classification and measurement of assets and liabilities

All financial assets are required to be subsequently measured at amortized cost or fair value on the basis of the Company’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The table below illustrates the classification and measurement of financial assets and financial liabilities under IAS 39 and IFRS 9 on July 1, 2018:

	Original measurement category under IAS 39	New measurement category under IFRS 9
Cash	Financial assets at fair value through profit and loss (“FVTPL”)	Financial assets at FVTPL
Prepaid expenses and deposits	Loan and receivables at amortized cost	Financial assets at amortized cost
Accounts payable and accrued liabilities	Other financial liabilities at amortized cost	Financial liabilities at amortized cost
Loans payable	Other financial liabilities at amortized cost	Financial liabilities at amortized cost
Convertible Promissory Note Payable	Other financial liabilities at amortized cost	Financial liabilities at amortized cost

There were no financial assets or financial liabilities which the Company previously designated as FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon adoption of IFRS 9.

**IFRS 15 Revenue from Contracts with Customers (“IFRS 15”):** Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods and services. In addition, the standard requires disclosure of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The application of this new standard had no impact on the reported results, specifically with regard to the timing of recognition and classification of revenues. There was no impact on the cash flows from operating activities as a result of adopting this standard.

**GOLD RUSH CARIBOO CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) Mineral Properties

Costs directly related to exploration and evaluation expenditures (“E&E”) are recognized and expensed. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are also expensed in the period in which they occur.

The acquisitions of mineral property interests are initially measured at cost. Mineral property and right acquisition costs and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the Company are capitalized until the property to which they relate is placed into production, sold or allowed to lapse.

Exploration and evaluation costs incurred prior to determination of the feasibility of mining operations are expensed as incurred.

Mineral property and right acquisition costs include the cash consideration and the fair market value of shares issued for mineral property interests pursuant to the terms of the relevant agreements. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse, or when an impairment of value has been determined to have occurred, together with the related exploration and evaluation expenditures.

Management annually assesses carrying values of properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if (1) the property has been abandoned; (2) there are unfavourable changes in the property economics; (3) there are restrictions on development; or (4) 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.

(b) Decommissioning, Restoration and Other Similar Liabilities (Asset retirement obligation – ARO)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development, or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related mineral property asset in the case where technical feasibility has been established, and expensed if technical feasibility is yet to be established. Once capitalized, the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The Company has determined that there are no such liabilities at June 30, 2019 (June 30, 2018 - \$Nil).

**GOLD RUSH CARIBOO CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

The Company did not have a rehabilitation provision as at June 30, 2019.

(d) Taxation

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred Income Tax

The Company uses the asset and liabilities method to determine income tax and deferred tax.

Income tax expense is comprised of current and deferred tax expense. Current tax expense is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes and are presented as non-current liabilities.

Income tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity. Income taxes are calculated using the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and for tax losses and other deductions carried forward.

**GOLD RUSH CARIBOO CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended June 30, 2019 and June 30, 2018**  
**(Expressed in Canadian dollars)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(d) Taxation (Continued)

Deferred Income Tax (Continued)

Deferred income tax assets and liabilities are calculated using substantively enacted tax rates expected to apply when the asset is realized or the liability is settled. An asset is recognized on the statement of financial position when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. The effect on deferred tax assets and liabilities of changes in tax rates are recognized in income in the period in which the change is substantively enacted.

Deferred taxes are not recognized for the following temporary differences: 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, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position to the extent that it becomes probable that future taxable profit will allow the deferred asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current assets against current liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(e) Flow-Through Shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the statements of financial position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the unrenounced flow-through share premium liability on the statements of financial position and a corresponding reduction in deferred tax expense on the consolidated statements of loss and comprehensive loss.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

(f) Capital Assets

Capital assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of capital assets consists of the purchase price, any costs directly attributable to bringing the asset to the location a condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used and any changes arising from the assessments are applied by the Company prospectively. Where an item of capital asset comprises major components with different useful lives, the components are accounted for as separate items. Expenditures incurred to replace a component of capital asset is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Amortization on computer equipment is based on a rate of 30% declining balance and amortization on office equipment is based on a rate of 20% declining balance and mining equipment is amortized on straight-line over 10 years.

(g) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through net income or loss, which are measured initially at fair value.

Financial Assets:

Financial assets are categorized for subsequent measurement as follows:

(a) Amortized cost ("AC")

Financial assets that are held in a business model with the objective of collecting contractual cash flows where those cash flows represent solely payments of principal and interest ("SPPI") are measured at amortized cost ("AC"). The Company's prepaid expenses and deposits are measured at amortized cost. Gains and losses are recognized in the consolidated statements of loss and comprehensive loss are derecognized or impaired.

(b) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that are held for trading and derivative assets are required to be measured at fair value through profit and loss ("FVTPL"). Financial assets that meet certain conditions may be designated at fair value through profit and loss upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit and loss as incurred.

Assets in this category are subsequently measured at fair value with gains or losses recognized in profit and loss. The fair values of derivative financial instruments are based on changes in observable prices in active markets or by a valuation technique where no market exists.

The Company's cash are designated as financial assets at FVTPL.

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

**Financial Instruments (Cont'd)**

**Financial Assets (Cont'd)**

(c) Fair Value through other comprehensive income ("FVOCI")

Financial assets that are held to both collect contractual cash flows and for sale are required to be measured at fair value through other comprehensive income ("FVOCI"). Other financial assets, provided they are not held for trading and have not been designated as at fair value through profit and loss, can be designated as at fair value through other comprehensive income on initial recognition.

Gains and losses are recognized in other comprehensive income and presented in the available for sale reserve within equity, except for the accretion in value based on the effective interest method, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit and loss. Financial assets measured at fair value through other comprehensive income for which fair value cannot be estimated reliably, are measured at cost and any impairment losses are recognized in profit and loss. Upon initial recognition, attributable transaction costs are recognized in profit and loss as incurred. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit and loss and presented as a reclassification adjustment within other comprehensive income.

The Company has not designated any financial instruments as FVOCI for accounting purposes.

(h) Financial Liabilities

Financial liabilities are categorized for subsequent measurement as follows:

(a) Amortized Cost ("AC")

Financial liabilities that are not otherwise measured as at fair value through profit and loss or designated at fair value are measured at amortized cost using the effective interest rate method. Any host contract in a hybrid instrument is also measured at amortized cost. Gains and losses are recognized in profit and loss when the liabilities are derecognized. Transaction costs incurred in connection with the issuance of loans and borrowings are capitalized and recorded as a reduction of the carrying amount of the related financial liabilities and amortized using the effective interest method.

The Company's financial liabilities measured at amortized cost include accounts payable and accrued liabilities, loans payable and promissory note payable.

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

**Financial Instruments (Cont'd)**

**Financial Liabilities (Cont'd)**

(b) Financial liabilities at fair value through profit and loss ("FVTPL")

Financial liabilities that are held for trading and stand-alone derivative liabilities are required to be measured at fair value through profit and loss ("FVTPL"). When certain conditions are satisfied, embedded derivatives are required to be separately recognized and measured at fair value with subsequent changes in fair value recognized in profit and loss. A designation can be made at initial recognition for financial liabilities that include one or more embedded derivatives, provided the host contract is not a financial asset, to measure the entire hybrid instrument at fair value. Where certain criteria are met, for example measurement at amortized cost would create measurement inconsistencies, the financial liability can also be designated at fair value. For such designated financial liabilities, the amount of the change in fair value that relates to changes in the entity's own credit risk is recognized in other comprehensive income and the remaining amount of the change in fair value is recognized in profit and loss. All contingent consideration payable is also included in this category.

The Company has not designated any financial instruments as hedges for accounting purposes.

The fair values of financial liabilities are based on changes in observable prices in active markets or by a valuation technique where no market exists. Transaction costs attributable to the issuance of financial liabilities at fair value through profit and loss are recognized in profit and loss as incurred.

(i) Impairment of Financial Assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Assets Carried at Amortized Cost**

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

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

**Assets Carried at Amortized Cost (Cont'd)**

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

**Available-for-Sale**

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

**(j) Impairment of Non-Financial Assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating units exceed its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the statements of loss and comprehensive loss. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

**j) Cash**

Cash in the statement of financial position is comprised of cash held at Canadian banks.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

k) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

The Company did not have a rehabilitation provision as at June 30, 2019 (2018 - \$Nil).

Other Provisions

Provisions are recognized when the Company has a future obligation (legal or constructive) that has arisen as a result of a past event and is probable that a future outflow of resources will be required to settle the obligation, provided a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

The Company did not have any other provisions at June 30, 2019 (2018 - \$Nil).

l) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, 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. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

m) Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments and estimates and form assumptions that affects the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; capital assets including gold reserves and resources, depreciation and depletion; recoverability of accounts receivable, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgments relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

The application of the Company's accounting policy for exploration assets requires judgement in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Consolidated Statements of Loss and Comprehensive loss in the period when the new information becomes available. The carrying value of these assets is detailed in Note 10.

n) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated to Canadian dollars by the using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Exchange gains and losses arising on the retranslation of monetary available-for-sale financial assets are treated as a separate component of the change in fair value and recognized in net income. Exchange gains and losses on non-monetary available-for-sale financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

Non-monetary assets and liabilities that are measured at fair value or a revalue amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

o) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p) Loss Per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The treasury stock method is used for the assumed proceeds upon exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

q) Share-Based Payments

Share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Under this method, the fair value of the equity-settled share-based payment is measured on the date of grant using the Black-Scholes option pricing model, and is recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. For options that do not vest immediately, the fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest.

Equity-settled, share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility.

r) Comprehensive Income (Loss)

Comprehensive income is the change in equity of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income or loss for the period and other comprehensive income. The standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings.

The Company had no comprehensive income or loss transactions, other than its net loss, nor has the Company accumulated other comprehensive income during periods that have been presented.

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

s) Leased Assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (“finance lease”), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the statement of comprehensive loss over the period of the lease and is so calculated so that it represents a constant portion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (“operating lease”), the total rentals payable under the lease are charged to the statement of comprehensive loss on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

**4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

**Leases – IFRS 16**

IFRS 16, *Leases* (“IFRS 16”), replaces IAS 17, *Leases* (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, *Revenue from Contracts with Customers*, is also applied. The adoption of IFRS 16 will not result in any material changes in the Company’s assets and liabilities.

**5. CASH**

Cash at June 30, 2019 totaled \$30,078 (June 30, 2018 – \$61,575) and consisted of deposits with Canadian banks in a general non-interest-bearing account in the amount of \$27,812 (June 30, 2018 - \$61,575) and funds held in trust with the Company’s lawyer in the amount of \$2,266 (June 30, 2018 - \$Nil).

**6. GST/HST RECEIVABLE**

The Company’s receivable consists of Harmonized Goods and Services Tax due from the Canadian government taxation authorities in the amount of \$20,147 at June 30, 2019 (June 30, 2018 - \$21,287).

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**7. PREPAID EXPENSES**

Prepaid expenses at June 30, 2019 were \$Nil (June 30, 2018 - \$30,141). This was comprised of premises rent paid in advance in the amount of \$Nil (June 30, 2018 - \$23,120).

**8. CONSULTING FEE ADVANCE**

Consulting fee advance at June 30, 2019 was \$Nil (June 30, 2018 - \$69,035). The amount is interest-free and payable on demand.

**9. PROPERTY, PLANT AND EQUIPMENT**

	Computer Equipment	Office Equipment	Construction Vehicles	Mining Equipment	Total
<b>Cost</b>					
Balance at June 30, 2018	\$ 4,152	\$ 3,148	\$ 29,990	\$1,297,000	\$1,334,290
Impairment	-	-	-	(1,296,999)	(1,296,999)
<b>Balance at June 30, 2019</b>	<b>\$ 4,152</b>	<b>\$ 3,148</b>	<b>\$ 29,990</b>	<b>\$ 1</b>	<b>\$ 37,291</b>
<b>Accumulated Depreciation</b>					
Balance at June 30, 2018	\$ 3,478	\$ 881	\$ 1,815	\$ 46,194	\$ 52,368
Impairment	-	-	-	(46,194)	(46,194)
Amortization for the period	202	453	8,453	-	9,108
<b>Balance at June 30, 2019</b>	<b>\$ 3,680</b>	<b>\$ 1,334</b>	<b>\$ 10,268</b>	<b>\$ -</b>	<b>\$ 15,282</b>
<b>Carrying Amounts</b>					
As at June 30, 2018	\$ 674	\$ 2,267	\$ 28,175	\$1,250,806	\$1,281,922
<b>As at June 30, 2019</b>	<b>\$ 472</b>	<b>\$ 1,814</b>	<b>\$ 19,722</b>	<b>\$ 1</b>	<b>\$ 22,009</b>

During the year ended June 30, 2019, the Company recognized an impairment loss of \$1,250,804 on mining equipment that was acquired in the 2018 fiscal year. The impairment loss on the mining equipment was recognized as a result of the inactivity in furthering the development of the mine the equipment was slated to be used for and as a result of the asset not meeting management's expectations in generating the expected future benefits.

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**10. MINING PROPERTY & RIGHTS ACQUISITION COSTS**

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	<b>Casa Berardi Project</b>	<b>Horseshoe Bend Project</b>	
	<b>Quebec, Canada</b>	<b>Mining Rights British Columbia, Canada</b>	<b>Total</b>
<b>Balance at June 30, 2018</b>	\$ 174,147	\$ 3,234,742	\$ 3,408,889
<b>Impairment</b>	(174,146)	(3,234,741)	3,408,887
<b>Balance at June 30, 2019</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 2</b>

**Horseshoe Bend Project**

On February 13, 2018, (pursuant to a letter of intent dated September 27, 2017), the Company completed the acquisition of all of the issued and outstanding shares of Gold Rush Cariboo Inc. which has previously entered into an agreement with Goldlands Inc. with respect to the purchase of the alluvial gold and platinum mining project rights known as the Horseshoe Bend Project consisting of one Placer Lease and six Placer Claims. In addition, Gold Rush Cariboo Inc. has acquired an option to acquire additional adjacent properties which are held by Goldlands Inc.

The Company is committed to spend \$60,000 per annum on mining operations over the next two years. The Company is also committed to pay a royalty of 2.5% NSR to the vendor.

During the year ended June 30, 2019, the Company recognized an impairment loss of \$3,408,887 on the Horseshoe Bend and Casa Berardi projects that were acquired in the prior fiscal years. The impairment loss on the Horseshoe Bend and Casa Berardi projects was recognized as a result of the inactivity in furthering the development of these projects along with no recognized revenue stream in the future and as a result of the asset not meeting management's expectations in generating the expected future benefits.

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**11. RELATED PARTY TRANSACTIONS**

	<b>June 30, 2019</b>	June 30, 2018
Management fees charged by officers or Corporations controlled by officers for administrative and financial management services	<b>\$ 27,000</b>	\$ 67,500
Rental income received by a company with common directors	-	16,000
	<b>\$ 27,000</b>	\$ 83,500

- (a) At June 30, 2019, the amount of \$Nil (June 30, 2018 - \$4,224) is due to an officer and director of the Company.
- (b) At June 30, 2019, accounts payable included the amount of \$Nil (June 30, 2018 - \$834) is due to certain directors of the Company for out-of-pocket business expenses.
- (c) At June 30, 2019, accounts payable included rent paid in advance in the amount of \$30,469 (June 30, 2018 - \$8,000) that is due from a company with common directors.

**12. DUE TO CONSULTANTS**

The due to consultants in the amount of \$188,327 (June 30, 2018 - \$3,244) are amounts that are interest-free and payable on demand.

**13. CONVERTIBLE PROMISSORY NOTE**

On September 4, 2017, Gold Rush Cariboo Inc. issued a Convertible Promissory Note ("Note") in connection with the acquisition of the Horseshoe Bend Project mining rights (Notes 3,10). The Note bears interest at the rate of 2% per annum calculated semi-annually and is convertible at \$0.40. The principal amount of this Note shall be payable as follows: (i) an amount of \$25,000 on March 15 of each year; (ii) a minimum amount of: (A) \$150,000 or (B) 50% of the Net Profits earned during the previous twelve months; (iii) the balance of the Principal together with all accrued interest shall become due and payable on September 2, 2024. The Note has been bifurcated into its debt and equity components. The fair value of the debt portion in the amount of \$1,265,300 was estimated using a discounted cash flow model method based on an expected life of seven years, timing of expected principal payments, and a discount rate of 15%. The residual of \$984,700, was allocated to equity. Interest and accretion related to the debt for the year ended June 30, 2019 was \$181,325 (2018 - \$149,293). The \$25,000 principal payment due March 15, 2018 and the \$150,000 principal payment due November 1, 2018 has been delayed pending the resolution of certain other matters related to the acquisition.

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**13. CONVERTIBLE PROMISSORY NOTE (Cont'd)**

The movement in the debt portion of the Notes during the period comprised the following:

	<b>June 30, 2019</b>	June 30, 2018
Face value of convertible promissory note	<b>\$ 2,250,000</b>	\$ 2,250,000
Equity component of convertible promissory note	<b>(984,700)</b>	(984,700)
Liability component of convertible promissory note	<b>1,265,300</b>	1,265,300
Interest accretion on convertible feature	<b>208,629</b>	74,194
	<b>1,473,929</b>	1,339,494
Current portion of convertible promissory note	<b>375,000</b>	175,000
	<b>\$ 1,098,929</b>	\$ 1,164,494

**14. CAPITAL STOCK**

(a) Private Placements

(i) On February 9, 2018, completed a private placement of 8,854,000 units at an issue price of \$0.20 per unit for total gross proceeds of \$1,770,800. Each unit consists of one common share and one-half of one share purchase warrant, with each warrant entitling the holder to purchase one common share at \$0.50 per share until the close of business on the day which is 36 months from the date of issue of the warrant. The total fair value of \$585,381 was estimated as a value for the warrants using the Black-Scholes option pricing model assuming, a risk-free interest rates ranging from 1.92% to 1.96%, an expected volatility of 234% and an expected life of 3 years. In addition, 115,500 finder's warrants were issued entitling the holder to purchase one common share at \$0.20 per share until the close of business on the day which is 18 months from the date of issue of the warrant. The total fair value of \$13,200 was estimated as a value for the finder's warrants using the Black-Scholes option pricing model assuming, a risk-free interest rate of 1.78%, an expected volatility of 128% and an expected life of 1.5 years. The Company incurred a total of \$37,548 in cash finder's fees in connection with the private placement.

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**14. CAPITAL STOCK (Cont'd)**

(b) Warrants

The following table provides information about warrants issued and outstanding at June 30, 2019:

	Number	Weighted-Average Exercise Price	Expiry Date
<b>Balance at June 30, 2017</b>	<b>13,475,000</b>	<b>\$0.40</b>	
Issued	4,427,000	\$0.50	February 9, 2021
Issued	115,500	\$0.20	August 9, 2019
Expired	(13,100,000)	\$0.15	June 30, 2018
<b>Balance at June 30, 2018</b>	<b>4,917,500</b>	<b>\$0.50</b>	
Expired	(375,000)	\$0.40	July 25, 2018
<b>Balance at June 30, 2019</b>	<b>4,542,500</b>	<b>\$0.50</b>	

(c) Stock Options

Stock option plan

The Company has a stock option plan to provide employees, directors, officers and consultants with options to purchase common shares of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock on the day of grant and the maximum term of option is five years. The maximum number of shares which may be issued under the program shall not exceed 10% of the issued and outstanding shares. The following summarizes the employees, directors, officers and consultant stock options that have been granted, exercised, expired, vested or cancelled during the year ended June 30, 2019:

On June 14, 2018, the Company granted 2,700,000 stock options with an exercise price of \$0.22 and a term of three years. These options vested immediately. The total fair value of \$376,797 was estimated using the Black-Scholes option pricing model assuming, a risk-free interest rate of 2.01%, an expected volatility of 218% and an expected life of 3 years. The granting of these options resulted in a share-based payment expense of \$376,797 being recorded during the year ended June 30, 2018.

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**14. CAPITAL STOCK (Cont'd)**

At June 30, 2019, the Company had 3,700,000 stock options outstanding as follows:

<b>Date of Grant</b>	<b>Options Granted</b>	<b>Options Exercisable</b>	<b>Weighted- Average Exercise Price</b>	<b>Expiry Date</b>
July 4, 2016	900,000	900,000	\$0.10	July 4, 2021
March 1, 2017	100,000	100,000	\$0.15	March 1, 2022
June 14, 2018	<u>2,700,000</u>	<u>2,700,000</u>	\$0.22	June 14, 2021
	<b>3,700,000</b>	<b>3,700,000</b>		

The Company provides compensation to directors, employees and consultants in the form of stock options.

(d) Warrant Reserve

A summary of the changes in the Company's warrant reserve is set out below:

	<b>June 30, 2019</b>	June 30, 2018
Balance – Beginning of year	<b>\$ 1,265,799</b>	\$ 500,838
Valuation of warrants issued	-	1,170,761
Finder's warrants issued	-	13,200
Exercise of warrants	-	(28,334)
Expiry of warrants	<b>(81,838)</b>	(390,666)
Balance – End of year	<b>\$ 1,183,961</b>	\$ 1,265,799

(e) Share-based Payment Reserves

A summary of the changes in the Company's share-based payment reserve is set out below:

	<b>June 30, 2019</b>	June 30, 2018
Balance – Beginning of year	<b>\$ 469,497</b>	\$ 97,961
Exercise of stock options	<b>(15,743)</b>	(5,261)
Share-based compensation	-	376,797
Balance – End of year	<b>\$ 453,754</b>	\$ 469,497

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**14. CAPITAL STOCK (Cont'd)**

(f) Contributed Surplus

A summary of the changes in the Company's contributed surplus is set out below:

	<b>June 30, 2019</b>	June 30, 2018
Balance – Beginning of year	<b>\$ 2,602,005</b>	\$ 2,211,339
Expiry of warrants	<b>81,838</b>	390,666
Balance – End of year	<b><u>\$ 2,683,843</u></b>	<u>\$ 2,602,005</u>

**15. FINANCIAL INSTRUMENTS**

(a) Fair value of financial instruments

Financial instruments recorded at fair value on the statement of financial position are classified using 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 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques based on 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);
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash, prepaid expenses and deposits, accounts payables and accrued liabilities, loans payable and convertible promissory note payable are considered Level 1 in the hierarchy and are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair value. Accounts payable and accrued liabilities, due to consultants, due to directors and officers and promissory note payables are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair value. Fair value of accounts payable and accrued liabilities, due to consultants and due to officers and directors are determined from transaction values which were derived from observable market inputs and fair values are based on level 2 measurements.

The Company has determined the fair value of its financial instruments as follows:

(i) The carrying values of cash, prepaid expenses and deposits, accounts payable and accrued liabilities, due to consultants and due to officers and directors approximate their fair values due to the short-term nature of these instruments. The fair value of the convertible promissory note approximates \$2,250,000.

(ii) Other financial assets are carried at amounts based on relevant stock market information.

These fair value estimates are subject to and involve uncertainties and significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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**15. FINANCIAL INSTRUMENTS (Cont'd)**

(b) Risk Exposure

The Company may be exposed to risks of varying degrees of significance, which could affect its ability to achieve its strategic objectives. The main objective of the Company's risk management processes is to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The risks the Company is exposed to are described below:

- Capital risk

The Company manages its capital with the objective of providing adequate capital resources for the Company. The capital structure of the Company consists of shareholders' equity and depends on the ability of the Company to raise capital.

- Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks.

- Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms that are acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

- Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk, currency risk, market price risk, and commodity price risk, affect the fair value of financial assets and liabilities.

- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debt. The Company's current policy is to deposit excess cash in non-interest-bearing accounts at its Canadian banking institutions.

- Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar as the majority of its transactions and operations are in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

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**15. FINANCIAL INSTRUMENTS (Cont'd)**

(b) Risk Exposure (Cont'd)

- Market price risk

The prices of metals and minerals fluctuate widely and are affected by many factors outside of the Company's control. The prices of metals and minerals and future expectation of such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. This in turn may impact the Company's ability to raise equity financing for its long-term working capital requirements.

Company's exploration and evaluation assets are related to the price of gold and other mineral commodities, and the outlook for this mineral. Adverse changes in the price of gold can also significantly impair the economic viability of the Company's projects, along with the ability to obtain future financing.

(c) Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes that movements at  $\pm 10\%$  are "reasonably possible" over a one-year period:

- (i) The Company does not hold significant balances in foreign currencies to give rise to significant exposure to foreign exchange risk.
- (ii) Price risk is remote since the Company is a non-producing entity.

The Company's other financial assets are subject to fair value fluctuations.

**16. CAPITAL MANAGEMENT**

In the management of capital, the Company includes capital stock, warrant reserve, share-based payment reserve, deficit, other accumulated comprehensive income, accounts payable and accrued liabilities, due to officers and directors and due to consultants.

The Company's objectives when managing capital are:

- (a) To safeguard the Company's financial capacity and liquidity for future earning in order to continue to provide an appropriate return to shareholders and other stakeholders;
- (b) To maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk; and
- (c) To enable the Company to maximize growth by meeting its capital expenditure budget, to expand its budget to accelerate projects, and to take advantage of acquisition opportunities.

The Company regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities.

The Company manages the capital structure and makes adjustments to it in the 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 new debt, equity or similar instruments to reduce debt levels, adjust the amount of dividends paid to shareholders, or make adjustments to its capital expenditure program.

There were no changes in the Company's approach to capital management during the year ended June 30, 2019 and capital management is consistent with the year ended June 30, 2018. The Company is not subject to externally imposed capital requirements.

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**17. COMMITMENTS**

- (i) On November 30, 2018, the Company entered into a 39-month office sub-lease agreement commencing March 1, 2019 to May 30, 2022. The minimum lease commitments under the lease for the next fiscal years is as follows:

Item	2020	2021	2022	2023	Total
Premises	\$ 41,304	\$ 41,304	\$ 37,862	-	\$120,470

The Company has informal month-to-month agreements with certain co-tenants that may generate rental recovery to offset this commitment.

**18. EXPLORATION AND EVALUATION EXPENSES**

The exploration and evaluation costs reflected in the statement of loss are as follows:

	June 30, 2019	June 30, 2018
Casa Berardi Project – Quebec, Canada	\$ -	\$ 37,581
Horseshoe Bend Project - British Columbia, Canada	31,061	-
	<u>\$ 31,061</u>	<u>\$ 37,581</u>

The Casa Berardi exploration and evaluation expenses for the period ended June 30, 2019 are comprised of claim renewal costs of \$Nil (2018 - \$37,581). The Horseshoe Bend Project exploration and evaluation expenses for the period ended June 30, 2019 are comprised of field expenses of \$31,061 (2018- \$Nil).

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**19. INCOME TAXES**

(a) Income Tax Expense

Major items causing the Company's income tax rate to vary from the Canadian statutory rate of approximately are as follows:

	June 30, 2019	June 30, 2018
	\$	\$
Loss before income taxes	(5,120,106)	(1,040,547)
Statutory rate	26.5%	26.5%
Income tax provision at statutory rate	(1,370,078)	(275,745)
Effect of income of:		
Amortization	2,414	12,949
Exploration and evaluation expenses	8,231	9,959
Impairment	1,234,818	-
Share issue cost	(6,768)	(6,768)
Share-based compensation	-	99,851
Accretion and interest	48,051	19,661
	(16,519)	(140,093)
Tax benefit not realized	16,519	140,093
Provision for income taxes	-	-

The Company has the following deferred income tax assets and liabilities at the future enacted rates of 26.5% (2018 – 26.5%):

	June 30, 2019	June 30, 2018
	\$	\$
Non-capital losses carry forward	1,096,886	1,135,711
Capital losses carry forward	30,072	29,777
Resource property pools	194,585	148,003
Share issue costs	19,402	26,170
Capital assets	347,307	13,430
Deferred tax asset	1,688,252	1,353,091
Deferred tax liability – flow through shares	(382,748)	(382,748)
Deferred tax liability – fair market value increment	-	(260,957)
Asset not recognized	(1,305,504)	(709,386)
Net deferred tax asset/liability	-	-

The Company has not recognized the deferred tax assets since the Company does not consider it more likely than not that the deferred tax asset will be realized in the future.

(b) During fiscal 2009, management determined that the Company did not incur sufficient eligible exploration expenses under its flow-thru programs in 2006 and 2007. As at June 30, 2019, the amount of indemnification payable included in accounts payable and accrued liabilities is \$Nil (2018 - \$9,282).

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**19. INCOME TAXES (Cont'd)**

As at June 30, 2019, the Company has Canadian non-capital losses of approximately \$4,329,000 (2018 – 4,267,000) available for deduction against future Canadian taxable income, the balances of which will expire as follows:

	\$
2026	353,000
2027	319,000
2028	288,000
2029	1,198,000
2030	109,000
2031	152,000
2032	15,000
2033	269,000
2034	248,000
2035	89,000
2036	210,000
2037	488,000
2038	529,000
2039	62,000
	<hr/>
	(4,329,000)

**20. COMPARATIVE FIGURES**

Some prior year amounts have been changed to conform to the current year's presentation.