

# **GOLD RUSH CARIBOO CORP.**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

September 30, 2020

### **NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

The accompanying unaudited interim condensed consolidated financial statements of Gold Rush Cariboo Corp. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors

**GOLD RUSH CARIBOO CORP.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****For the Three Months ended September 30, 2020 and 2019***(Unaudited - expressed in Canadian dollars)*

	Notes	September 30, 2020	June 30, 2020
<b>Assets</b>			
Cash	4	8,388	7,547
GST/HST receivable	5	32,961	26,637
Prepaid expenses and deposits	6	6,300	6,300
		<b>47,649</b>	40,484
Property, plant and equipment	9	1	1
Mining Equipment	9	1	1
Mining property & rights acquisition costs	10	2	2
Right-of-Use Asset	7	61,218	70,400
		<b>108,871</b>	110,889
<b>Liabilities</b>			
Accounts payable and accrued liabilities		162,400	83,361
Due to consultants	11,12	269,683	269,683
Due to other companies	11,12	335,770	350,190
Interest payable	13	138,385	126,986
Current portion of lease liability	8,17	37,520	36,780
Current portion of convertible promissory note payable	13	2,250,000	2,250,000
		<b>3,193,758</b>	3,117,001
Lease liability	8,17	26,728	36,390
		<b>3,220,486</b>	3,153,391
<b>Shareholders' Equity</b>			
Share capital	14	7,342,715	7,342,715
Equity component of convertible promissory note payable	13	984,700	984,700
Warrant reserve	14(b,d)	1,170,761	1,170,761
Share-based payments reserve	14(c,e)	453,754	453,754
Contributed surplus	14(f)	2,697,043	2,697,043
Deficit		(15,760,588)	(15,691,475)
		<b>(3,111,615)</b>	(3,042,502)
		<b>108,871</b>	110,889

*Nature of Operations and Going Concern (Note 1)**Commitments (Note 17)***Approved by the Board****"Aleem Nathwani"**  
**Director (Signed)****"David Hergenhein"**  
**Director (Signed)**

The accompanying notes are integral to these condensed interim consolidated financial statements

**GOLD RUSH CARIBOO CORP.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss****For the Three Months ended September 30, 2020 and 2019***(Unaudited - expressed in Canadian dollars)*

	<i>Note</i>	<b>September 30, 2020</b>	September 30, 2019
		<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
Amortization expense on PPE, mining properties & rights	9	-	504
Amortization expense on right-of-use asset	7	<b>9,183</b>	-
Consulting fees	11	<b>30,000</b>	43,000
Exploration and evaluation expenditures	18	-	72,589
Filing and transfer fees		<b>2,247</b>	9,929
General and administrative		<b>2,583</b>	21,189
Interest on convertible promissory note	13	<b>11,399</b>	47,425
Interest on leased liability	8	<b>1,404</b>	-
Investor relations		<b>4,061</b>	3,100
Professional fees		<b>8,236</b>	8,141
		<b>69,113</b>	205,877
<b>Net Loss and Comprehensive Loss for the period</b>		<b>(69,113)</b>	<b>(205,877)</b>
<b>Basic and diluted loss per common share</b>		<b>(0.00)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>39,632,411</b>	39,632,411

The accompanying notes are integral to these condensed interim consolidated financial statements

**GOLD RUSH CARIBOO CORP.****Condensed Interim Consolidated Statements of Changes in Shareholder's Equity****For the Three Months ended September 30, 2020 and 2019***(Unaudited - expressed in Canadian dollars)*

	<i>Note</i>	Number of Shares	Amount \$	Equity Component of Convertible \$	Warrants Reserve \$	Share-based Payments Reserve \$	Contributed Surplus \$	Accumulated Deficit \$	Total Shareholders' Equity \$
<b>Balance, 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>
Net Loss for the period		-	-	-	-	-	-	(205,877)	(205,877)
<b>Balance, September 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>(14,653,690)</b>	<b>(2,004,717)</b>
<b>Balance, June 30, 2019</b>		<b>39,632,411</b>	<b>7,342,715</b>	<b>984,700</b>	<b>1,170,761</b>	<b>453,754</b>	<b>2,697,043</b>	<b>(15,691,475)</b>	<b>(3,042,502)</b>
Net Loss for the period		-	-	-	-	-	-	(69,113)	(69,113)
<b>Balance on September 30, 2020</b>		<b>39,632,411</b>	<b>7,342,715</b>	<b>984,700</b>	<b>1,170,761</b>	<b>453,754</b>	<b>2,697,043</b>	<b>(15,760,588)</b>	<b>(3,111,615)</b>

The accompanying notes are integral to these condensed interim consolidated financial statements

**GOLD RUSH CARIBOO CORP.****Condensed Interim Consolidated Statements of Cash Flows****For the Three Months ended September 30, 2020 and 2019***(Unaudited - expressed in Canadian dollars)*

	<i>Note</i>	<b>September 30, 2020</b>	September 30, 2019
<b>Cash provided by (used in)</b>		<b>\$</b>	<b>\$</b>
<b>Operating Activities</b>			
Net loss		<b>(69,113)</b>	(205,877)
Items not affecting cash			
Amortization expense – PPE & mining rights	9	-	504
Amortization – right-of-use asset	7	<b>9,183</b>	-
		<b>(59,930)</b>	(205,373)
Net changes in non-cash working capital			
Prepaid expenses and deposits	6	-	(6,300)
Accounts payable & accrued liabilities		<b>79,037</b>	134,652
Interest payable	13	<b>11,399</b>	(19,072)
GST/HST receivable	5	<b>(6,324)</b>	-
		<b>24,182</b>	(96,093)
<b>Cash (used in) operating activities</b>			
<b>Financing Activities</b>			
Stock options exercised		-	
Due to other companies	12	<b>(14,419)</b>	20,000
Lease payments	8	<b>(8,922)</b>	
Advances to consultants			51,756
		<b>(23,341)</b>	71,756
<b>Cash provided by financing activities</b>			
<b>Net change in cash</b>		<b>841</b>	(24,337)
<b>Cash, beginning of year</b>		<b>7,547</b>	30,078
<b>Cash, end of year</b>		<b>8,388</b>	5,741

The accompanying notes are integral to these consolidated financial statements

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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 condensed interim 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 \$15,760,588 as at September 30, 2020 (June 30, 2020 - \$15,691,475). 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 condensed interim consolidated 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 of September 30, 2020, the Company had current assets of \$47,650 (June 30, 2020 - \$40,484) to cover current liabilities of \$3,193,758 (June 30, 2020 - \$3,117,001). 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.

**2. BASIS OF PRESENTATION**

(a) Statement of Compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The condensed interim consolidated financial statements for the period ended September 30, 2020 were authorized for issue by the Board of Directors on November 27, 2020.

These interim condensed financial statements follow the same accounting policies and method of computation as the Company's annual audited financial statements for the year ended June 30 2020,

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**2. BASIS OF PRESENTATION**

with the exception of certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted. These interim condensed financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2020.

(b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value. The methods used to measure fair value are consistent with the Company's June 30, 2020 audited consolidated financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgment estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from these estimates. The COVID19 outbreak presents additional uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected. Estimates and judgements made by management in the preparation of these interim condensed financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

These interim condensed consolidated financial statements are presented in Canadian dollars ("CAD").

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Company's significant accounting policies can be read in Note 4 to the Company's annual audited consolidated financial statements as at and for the year ended June 30, 2020.

**4. CASH**

Cash at September 30, 2020 totaled \$8,388 (June 30, 2020 – \$7,547) and funds held in trust with the Company's lawyer in the amount of \$2,266 (June 30, 2020 - \$2,266).

**5. 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 \$32,961 on September 30, 2020 (June 30, 2020 - \$26,637).

**6. PREPAID EXPENSES**

Prepaid expenses on September 30, 2020 were \$6,300 (June 30, 2020 - \$6,300). This was comprised of premises rent paid in advance.

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**7. RIGHT OF USE ASSET**

For the three months ended September 30, 2020, total right-of-use asset \$61,218 (2020- \$70,400) consists of leased office space which are amortized over the life of the lease of 35 months. The office lease expires May 30, 2022.

	\$
<b>BALANCE, June 30, 2020</b>	-
Addition	107,131
Amortization Expense	(45,913)
<b>Balance, September 30, 2020</b>	<b>61,218</b>

**8. LEASE LIABILITY**

	\$
Addition	107,131
Rent Payments	(51,630)
Interest	8,747
<b>Balance, September 30, 2020</b>	<b>64,248</b>
Allocated as:	
Current portion	37,520
Long-term	26,728
<b>Balance, September 30, 2020</b>	<b>64,248</b>

**9. PROPERTY, PLANT AND EQUIPMENT**

	Computer Equipment	Office Equipment	Construction Vehicles	Mining Equipment	Total
<b>Cost</b>					
Balance on June 30, 2020	\$ -	\$ -	\$ 1	\$ 1	\$ 1
Impairment	-	-	-	-	-
<b>Balance on September 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 1</b>
<b>Accumulated Depreciation</b>					
Balance on June 30, 2020	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment	-	-	-	-	-
Amortization for the period	-	-	-	-	-
<b>Balance on September 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Carrying Amounts</b>					
As of June 30, 2020	\$ -	\$ -	\$ 1	\$ 1	\$ 2
<b>As of September 30, 2020</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 2</b>

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**9. PROPERTY, PLANT AND EQUIPMENT**

During the three months ended September 30, 2020, the Company recognized an impairment loss of \$Nil (2020 - \$Nil) on property, plant and equipment.

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

	Casa Berardi Project Quebec, Canada	Horseshoe Bend Project Mining Rights British Columbia, Canada	Total
	\$	\$	\$
Balance, June 30, 2020	1	1	2
Impairment	-	-	
<b>Balance, September 30, 2020</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 three months ended September 30, 2020, the Company recognized an impairment loss of \$Nil (2019 - \$Nil) 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.

**11. RELATED PARTY TRANSACTIONS**

	September 30, 2020	September 30, 2019
	\$	\$
Management fees charged by officers or Corporations controlled by officers for administrative and financial management services	30,000	11,000
Rental recovery income received by companies with common directors	(8,543)	-

During the period ended September 30, 2020, the Company paid or accrued consulting fees of \$30,000 (2019 - \$11,000) to officers and companies controlled by the officers and/or directors of the Company. During the period ended September 30, 2020, the Company incurred rent recovery income of \$8,543 (2019 - \$Nil) received from companies with common director.

As at September 30, 2020, \$295,285 (2020 - \$350,190) due to companies with directors in common and are interest-free and payable upon demand.

As at September 30, 2020, \$33,900 (2020 - \$Nil) is payable to companies controlled by officers and/or directors of the Company, which is included in the accounts payable and accrued liabilities.

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**12. DUE TO CONSULTANTS AND OTHER COMPANIES**

The amount due to consultants of \$269,683 (June 30, 2020 - \$269,683) are amounts that are interest-free and payable on demand.

The amount due to other companies of \$335,770 (June 30, 2020 - \$350,190) 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 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. Accretion related to the debt for the period ended September 30, 2020 was \$Nil (June 30, 2020 - \$183,568). Interest on convertible debt for the period ended September 30, 2020 was \$11,399 (June 30, 2020 - \$4,997). The \$75,000 principal payment due March 15, 2018, March 15, 2019 and March 15, 2020 and the \$300,000 principal payment due November 1, 2018 and November 1, 2019 have been delayed pending the resolution of certain other matters related to the acquisition and consequently the Convertible Promissory Note is in default and is due on demand.

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

	September 30, 2020	June 30, 2020
Face value of convertible promissory note	\$ 2,250,000	\$ 2,250,000
Equity component of convertible promissory note	(984,700)	(984,700)
Liability component of convertible promissory note	1,265,300	1,265,300
Interest accretion on convertible feature	208,629	208,629
Loss on convertible promissory note	776,071	776,071
	2,250,000	2,250,000
Current portion of convertible promissory note	2,250,000	2,250,000
Long-term portion of convertible promissory note	\$ -	\$ -

Interest payable on the promissory note as of September 30, 2020 was \$138,385 (June 30, 2020 - \$126,986).

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**14. CAPITAL STOCK**

For the year ended September 30, 2020, the Company has a total of issued and outstanding common shares of 39,632,411 (2019 – 39,632,411).

a. Private Placements

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.

b. Warrants

The following table provides information about warrants issued and outstanding on September 30, 2020:

	Number	Weighted-Average Exercise Price	Expiry Date
<b>Balance on 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 on June 30, 2018</b>	<b>4,917,500</b>	<b>\$0.50</b>	
Expired	(375,000)	\$0.40	July 25, 2018
<b>Balance on June 30, 2019</b>	<b>4,542,500</b>	<b>\$0.50</b>	
Expired	(115,000)	\$0.20	August 9, 2019
<b>Balance on September 30, 2020</b>	<b>4,427,500</b>	<b>\$0.50</b>	February 9, 2021

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 September 30, 2020:

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**14. CAPITAL STOCK (continued)**

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.

On September 30, 2020, 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	2,700,000	2,700,000	\$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>September 30, 2020</b>	<b>June 30, 2020</b>
Balance – Beginning of year	<b>1,170,761</b>	<b>\$ 1,183,961</b>
Valuation of warrants issued	-	-
Finder's warrants issued	-	-
Exercise of warrants	-	-
Expiry of warrants	-	<b>(13,200)</b>
Balance – End of year	<b>1,170,761</b>	<b>1,170,761</b>

e. Share-based Payment Reserves

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

	<b>September 30, 2020</b>	<b>June 30, 2020</b>
Balance – Beginning of year	<b>\$ 453,754</b>	<b>\$453,754</b>
Exercise of stock options	-	-
Share-based compensation	-	-
Balance – End of year	<b>453,754</b>	<b>\$453,754</b>

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**14. CAPITAL STOCK (continued)**

f. Contributed Surplus

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

	September 30, 2020	June 30, 2020
Balance – Beginning of year	\$ 2,697,043	\$ 2,683,843
Expiry of warrants	-	13,200
Balance – End of year	\$ 2,697,043	\$ 2,697,043

**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.
- i. 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).
- ii. 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.

b. Risk Exposure

The Company may be exposed to risks of varying degrees of significance, which could affect its

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**15. FINANCIAL INSTRUMENTS (continued)**

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.

- 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.

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**15. FINANCIAL INSTRUMENTS (continued)**

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 number 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 period ended September 30, 2020 and capital management is consistent with the year ended June 30, 2020. The Company is not subject to externally imposed capital requirements.

**17. COMMITMENTS**

The minimum lease commitments under the lease for the next fiscal years is as follows:

Item	2021	2022	Total
Premises	\$ 41,304	\$ 37,862	<b>79,166</b>

The Company has informal month-to-month agreements with certain co-tenants that may generate rental recovery to offset this commitment (Note 11).

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**18. EXPLORATION AND EVALUATION EXPENSES**

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

	<b>September 30, 2020</b>	<b>September 30, 2019</b>
Casa Berardi Project – Quebec, Canada	\$ -	\$ -
Horseshoe Bend Project - British Columbia, Canada	-	72,589
Voisey West Project – Labrador, Newfoundland	-	-
	<b>\$ -</b>	<b>\$ 72,589</b>

**19. COVID 19**

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.