

**GARIBALDI RESOURCES CORP.**

Consolidated Financial Statements

For the years ended January 31, 2021 and 2020

(Expressed in Canadian Dollars)

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders and the Directors of Garibaldi Resources Corp.

### Opinion

We have audited the consolidated financial statements of Garibaldi Resources Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at January 31, 2021 and 2020, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

### Basis for Opinion

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

### Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the accompanying 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. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management's Discussion and Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Paul Joseph Leedham.

*Manning Elliott LLP*

CHARTERED PROFESSIONAL ACCOUNTANTS  
Vancouver, British Columbia  
May 28, 2021

Garibaldi Resources Corp.  
Consolidated Statements of Financial Position  
January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	Note	2021	2020
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	4	\$ 258,145	\$ 6,202,086
Receivables	5	108,738	171,222
BCMETC receivable	9	3,150,544	2,013,548
Prepaid expenses and deposits		24,374	17,788
		3,541,801	8,404,644
Non-current assets			
Reclamation deposits	6	156,041	155,945
Equipment	7	154,787	197,750
Right-of-use asset	8	91,705	137,557
Exploration and evaluation assets	9, 13	40,871,398	37,129,112
		41,273,931	37,620,364
<b>TOTAL ASSETS</b>		<b>\$ 44,815,732</b>	<b>\$ 46,025,008</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade payables and accrued liabilities	10, 13	\$ 377,800	\$ 513,034
Flow-through premium liability	12	339,588	-
Lease liability - current	8	44,239	44,239
		761,627	557,273
Non-current liabilities			
Deferred tax liability	17	3,276,000	2,981,000
Lease liability - long-term	8	64,464	105,035
		3,340,464	3,086,035
<b>TOTAL LIABILITIES</b>		<b>4,102,091</b>	<b>3,643,308</b>
<b>EQUITY</b>			
Share capital	12	63,537,694	61,676,794
Contributed surplus		4,854,334	4,950,834
Deficit		(27,678,387)	(24,245,928)
<b>TOTAL EQUITY</b>		<b>40,713,641</b>	<b>42,381,700</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 44,815,732</b>	<b>\$ 46,025,008</b>

Going Concern – Note 2

Commitments – Notes 9, 11 and 12

Subsequent Event – Note 19

Approved on behalf of the Board on May 28, 2021:

*“Steve Regoci”*

Steve Regoci, CEO and Director

*“Barrie DiCastrì”*

Barrie DiCastrì, CFO and Director

The accompanying notes form an integral part of these consolidated financial statements

Garibaldi Resources Corp.  
Consolidated Statements of Comprehensive Loss  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	Note	2021	2020
<b>Expenses</b>			
Amortization of right-of-use asset	8	\$ 45,852	\$ 45,852
Bank charges, interest, and penalties		21,489	6,826
Consulting fees	13	220,090	123,129
Depreciation		3,526	4,727
Foreign exchange loss (gain)		(31,764)	5,807
Insurance		13,605	12,516
Lease interest	8	14,460	19,919
Management fees	13	288,000	288,000
Office and miscellaneous		20,122	62,922
Professional fees		134,208	161,358
Rent		10,575	11,715
Share-based compensation	12, 13	-	1,536,000
Shareholder communications		110,030	121,933
Telephone		9,185	8,283
Transfer agent and filing fees		41,243	38,343
Travel and entertainment		23,452	41,942
<b>Loss before other items and income taxes</b>		<b>(924,073)</b>	<b>(2,489,272)</b>
<b>Other items</b>			
Interest income		38,284	151,264
Settlement of flow-through premium liability	12	168,712	125,386
Write-down of receivables	5	(15,970)	(28,970)
Write-off of exploration and evaluation assets	9	(2,404,412)	(3,364,895)
		<b>(2,213,386)</b>	<b>(3,117,215)</b>
<b>Net loss before income taxes</b>		<b>(3,137,459)</b>	<b>(5,606,487)</b>
<b>Income taxes</b>			
Deferred income tax expense	17	(295,000)	(257,000)
<b>Net and comprehensive loss</b>		<b>\$ (3,432,459)</b>	<b>\$ (5,863,487)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.03)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>		<b>117,342,028</b>	<b>112,081,416</b>

The accompanying notes form an integral part of these consolidated financial statements

Garibaldi Resources Corp.  
Consolidated Statements of Changes in Equity  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	Number of shares	Amount	Contributed surplus	Deficit	Total
Balance at January 31, 2019	108,622,976	\$ 55,551,871	\$ 3,643,696	\$ (18,382,441)	\$ 40,813,126
Shares issued for mineral properties	100,000	98,000	-	-	98,000
Shares issued for cash:					
Exercise of warrants	6,887,433	5,598,061	-	-	5,598,061
Exercise of options	400,000	428,862	(228,862)	-	200,000
Share-based compensation	-	-	1,536,000	-	1,536,000
Net and comprehensive loss	-	-	-	(5,863,487)	(5,863,487)
<b>Balance at January 31, 2020</b>	<b>116,010,409</b>	<b>\$ 61,676,794</b>	<b>\$ 4,950,834</b>	<b>\$ (24,245,928)</b>	<b>\$ 42,381,700</b>
Shares issued for mineral properties	100,000	42,000	-	-	42,000
Shares issued for cash:					
Exercise of options	2,050,000	434,500	(124,500)	-	310,000
Private placement	3,388,666	1,524,900	-	-	1,524,900
Less: share issue costs	-	(140,500)	28,000	-	(112,500)
Net and comprehensive loss	-	-	-	(3,432,459)	(3,432,459)
<b>Balance at January 31, 2021</b>	<b>121,549,075</b>	<b>\$ 63,537,694</b>	<b>\$ 4,854,334</b>	<b>\$ (27,678,387)</b>	<b>\$ 40,713,641</b>

The accompanying notes form an integral part of these consolidated financial statements

Garibaldi Resources Corp.  
Consolidated Statements of Cash Flows  
For the years ended January 31, 2021 and 2020  
(Expressed in Canadian Dollars)

	2021	2020
<b>Operating Activities</b>		
Net loss	\$ (3,432,459)	\$ (5,863,487)
Adjustments for non-cash items:		
Amortization of right-of-use asset	45,852	45,852
Depreciation	3,526	4,727
Accrued interest receivable	-	(80,367)
Lease interest	14,460	19,919
Share-based compensation	-	1,536,000
Settlement of flow-through premium liability	(168,712)	(125,386)
Write-down of receivables	15,970	28,970
Write-off of exploration and evaluation assets	2,404,412	3,364,895
Deferred income tax expense	295,000	257,000
Changes in non-cash working capital items:		
Receivables	46,514	141,395
Prepaid expenses and deposits	(6,586)	27,428
Trade payables and accrued liabilities	47,311	(101,656)
<b>Net cash flows used in operating activities</b>	<b>(734,712)</b>	<b>(744,710)</b>
<b>Investing Activities</b>		
Expenditures on exploration and evaluation assets	(7,384,802)	(11,202,384)
Reclamation deposits	(96)	(16,055)
Purchase of equipment	-	(101,068)
<b>Net cash flows used in investing activities</b>	<b>(7,384,898)</b>	<b>(11,319,507)</b>
<b>Financing Activities</b>		
Proceeds from issuance of common shares, net of share issuance costs	1,722,400	5,798,061
Flow-through premium received	508,300	-
Lease payments	(55,031)	(54,054)
<b>Net cash flows from financing activities</b>	<b>2,175,669</b>	<b>5,744,007</b>
Change in cash and cash equivalents	(5,943,941)	(6,320,210)
Cash and cash equivalents, beginning	6,202,086	12,522,296
<b>Cash and cash equivalents, ending</b>	<b>\$ 258,145</b>	<b>\$ 6,202,086</b>
<b>Supplemental Information</b>		
Interest paid	\$ 6,014	\$ -
Income tax paid	\$ -	\$ -

Non-cash Transactions – Note 16

**1. Corporate Information**

Garibaldi Resources Corp. (the “Company”) is an exploration stage company incorporated on November 22, 1993 under the laws of the Province of Alberta, Canada. Its business activity is the acquisition, exploration and evaluation of mineral properties located in Canada and Mexico. The Company’s common shares are traded on the TSX Venture Exchange (“TSX-V”) under the symbol “GGI”.

The Company’s head office and principal business address is Suite 1150 - 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

**2. Basis of Preparation**

***Statement of Compliance***

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

These consolidated financial statements were authorized for issue on May 28, 2021 by the directors of the Company.

***Going Concern***

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak has adversely affected workforces, economies, and financial markets, leading to an economic downturn. Management has implemented the safeguards and protocols recommended by the relevant health authorities to protect its workers and continues to monitor the situation.

These consolidated financial statements have been prepared on the assumption that the Company (and its subsidiaries) will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At January 31, 2021, the Company has an accumulated deficit of \$27,678,387 (2020 – \$24,245,928). As at January 31, 2021, the Company has not advanced its mineral properties to commercial production and has not generated revenue from operations. The Company’s continuation as a going concern is dependent upon successful results from its mineral property exploration activities and its ability to attain profitable operations and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. The Company has been successful in raising funds in the past to finance operations, however, there is no assurance it will be able to do so in the future or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast significant doubt on the Company’s ability to continue as a going concern.

***Basis of Measurement***

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs except for certain financial instruments, which are measured at fair value as explained in the significant accounting policies set out in Note 3. The consolidated financial statements are presented in Canadian dollars which is also the Company’s functional currency.

**2. Basis of Preparation (cont'd)**

***Use of Accounting Judgments, Estimates and Assumptions***

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities as at the date of the 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. However, actual outcomes can differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of the expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

b) Site Closure and Reclamation Provisions

The Company assesses its mineral properties' rehabilitation provision at each reporting date or when new material information becomes available. Exploration, development and mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for reclamation obligations requires management to make estimates of the future costs that the Company will incur to complete the reclamation work required to comply with existing laws and regulations at each location. Actual costs incurred may differ from those amounts estimated.

Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact any amounts charged to operations for reclamation and remediation. During the periods presented, no reclamation obligations were incurred and therefore, no provision has been recorded. This represents management's best estimate of the present value of future reclamation and remediation obligations. Actual future expenditures may differ from the estimate.

c) Title to Mineral Properties

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

**2. Basis of Preparation (cont'd)**

***Use of Accounting Judgments, Estimates and Assumptions (cont'd)***

d) Share-Based Payments

Management uses valuation techniques to measure the fair value of share-based payments such as stock options or broker warrants. The fair values are determined using the Black-Scholes option pricing model which requires management to make certain estimates, judgements, and assumptions in relation to the expected life of the options or warrants, expected volatility, expected risk-free rate, and expected forfeiture rate. Changes to these assumptions could have a material impact on the Company's consolidated financial statements.

e) Deferred Income Taxes

Judgement is required to determine which types of arrangements are considered to be a tax on income in contrast to an operating cost. Judgement is also required in determining whether deferred tax liabilities are recognized in the consolidated statement of financial position. Deferred tax assets, including those potentially arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable income in future periods, in order to recognize deferred tax assets. Assumptions about the generation of future taxable income depend on management's estimates of future operations and cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize deferred tax assets or offset these against any deferred tax liabilities recorded at the reporting date could be impacted.

***Principles of Consolidation***

These consolidated financial statements include the accounts of the Company and its controlled entities. All inter-company balances and transactions have been eliminated on consolidation. Details of its controlled entities are as follows:

	Country of Incorporation	Percentage Owned	
		2021	2020
San Pedro Stone Inc.	Canada	100%	100%
Minera Pender S.A. de C.V.	Mexico	100%	100%

### **3. Significant Accounting Policies**

#### ***Foreign Currency Translation***

The functional currency of each of the Company's entities is determined using primary and secondary indicators related to the economic environment in which that entity operates. The Canadian dollar is the parent company's functional and presentation currency. The functional currency of the subsidiaries is also the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on the settlement of monetary items are recognized in profit or loss in the consolidated statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations whose functional currency is different than the Company's presentation currency are transferred directly to the Company's foreign currency translation reserve in the consolidated statement of comprehensive loss. These differences are recognized in the profit or loss in the period in which the operation is disposed.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on deposit with banks and redeemable investment-grade short-term deposit certificates.

**3. Significant Accounting Policies (cont'd)**

***Exploration and Evaluation Assets***

Exploration and evaluation assets include the costs of acquiring mineral properties, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized and are classified as intangible assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits are recorded as a reduction to the cumulative costs incurred and capitalized on the related mineral property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

***Reclamation Deposits***

Cash which is subject to contractual restrictions on use is classified separately as reclamation deposits.

***Share-based Payments***

The Company operates an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based payments is charged to the consolidated statement of comprehensive loss with a corresponding credit recorded to contributed surplus. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**3. Significant Accounting Policies (cont'd)**

***Share-based Payments (cont'd)***

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive loss over the remaining vesting period.

The Company recognizes share issue costs for the fair value of broker warrants issued as finder's fees in connection with private placements. The fair value calculated is recorded as share issue costs with a corresponding credit to contributed surplus. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants issued.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital along with the consideration paid.

***Financial Instruments***

a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value net of transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement

***Financial assets***

On initial recognition, a financial asset is classified as measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### 3. Significant Accounting Policies (cont'd)

#### *Financial Instruments (cont'd)*

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost, FVOCI, or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### *Financial assets: Subsequent measurement and gains and losses*

- Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in the consolidated statement of comprehensive loss. The Company's cash and cash equivalents are measured at FVTPL.
- Financial assets at amortized cost: These assets are subsequently measured at amortized cost, using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is recognized in the consolidated statement of comprehensive loss. The Company does not have any assets measured at amortized cost.
- Debt investments at FVOCI: These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the consolidated statement of comprehensive loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the consolidated statement of comprehensive loss. The Company does not have any assets classified as debt investments at FVOCI.
- Equity investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognized as income in the consolidated statement of comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to the consolidated statement of comprehensive loss. The Company does not have any assets classified as equity investments at FVOCI.

#### *Financial liabilities*

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the consolidated statement of comprehensive loss. Financial liabilities that are not measured at FVTPL are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss. Any gain or loss on derecognition is also recognized in the consolidated statement of comprehensive loss. The Company's trade payables and lease liability are measured at amortized cost.

**3. Significant Accounting Policies (cont'd)**

***Financial Instruments (cont'd)***

c) Derecognition

*Financial assets*

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company enters into transactions whereby it transfers assets recognized in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

*Financial liabilities*

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in the consolidated statement of comprehensive loss.

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

e) Impairment

*Financial assets and contract assets*

The Company recognizes loss allowances for expected credit losses ("ECLs") on:

- financial assets measured at amortized cost;
- debt investments measured at FVOCI; and
- contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

**3. Significant Accounting Policies (cont'd)**

***Financial Instruments (cont'd)***

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL's that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

***Measurement of ECLs***

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

***Credit-impaired financial assets***

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

***Presentation of allowance for ECL in the consolidated statement of financial position***

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to the consolidated statement of comprehensive loss and is recognized in OCI.

**3. Significant Accounting Policies (cont'd)**

***Financial Instruments (cont'd)***

***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

***Impairment of Assets***

The carrying amounts of the Company's assets (which include equipment and exploration and evaluation assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Impairment of mineral property exploration interests is generally considered to have occurred if one of the following factors is present: the right to explore has expired or is near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration and evaluation work is discontinued in an area for which commercially viable quantities have not been discovered, indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or by sale. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

***Income Taxes***

***Current income taxes:***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company and its subsidiaries operate and generate taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**3. Significant Accounting Policies (cont'd)**

***Income Taxes (cont'd)***

*Deferred income taxes:*

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

*Flow-through shares:*

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("deferred flow-through premium").

The Company may, from time to time, issue flow-through shares to finance a portion of its Canadian exploration programs. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On the issuance of a flow-through share, it is bifurcated into equity (share) and liability (flow-through) components on the issue date to the extent that a premium exists. The equity portion is measured at the market value and the residual premium is allocated as a liability. The liability is recorded at the fair value of the obligation to renounce the expenditures that the issuer has incurred. This is effectively the "premium" the investor attributes to a flow-through share versus an ordinary share.

When the expenditures are renounced, the Company records a deferred tax liability and deferred tax expense (renounced expenditures multiplied by the effective corporate tax rate). Simultaneously the Company will debit the liability set up on issuing the flow-through share with the corresponding credit to deferred tax expense.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense.

Flow-through shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

**3. Significant Accounting Policies (cont'd)**

***Equipment***

Depreciation is calculated using the declining balance method to allocate the cost of the assets over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Motor vehicles	30% declining balance
Drilling and exploration equipment	20% declining balance
Office equipment	20% declining balance

Depreciation is recorded at one-half rates in the year of acquisition. Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

***Basic and Diluted Loss Per Share***

Basic loss per share is computed by dividing the net loss applicable to the common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds used to repurchase common shares at the average market price during the period.

***Accounting Standards Issued and Adopted***

The Company adopted IFRS 16, "Leases", effective February 1, 2019.

Upon adoption of IFRS 16, the Company recognized lease liabilities in relation to a lease for office space which had previously been classified as an "operating lease" under the principles of IAS 17 under which these lease payments were recorded as expenses as they were incurred. Under IFRS 16, the lease liability was measured at the present value of the remaining lease payments as at February 1, 2019, and discounted using the Company's incremental borrowing rate. The incremental borrowing rate applied to the lease liability on February 1, 2019 was 10%. The associated lease liability recognized as at February 1, 2019 was \$183,410.

An associated right-of-use asset for the lease was measured at the amount equal to the lease liability on February 1, 2019. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Lease liabilities are subsequently measured at amortized cost using the effective interest rate method.

***Accounting Standards Issued But Not Yet Effective***

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2021, and have not been early adopted in preparing these consolidated financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

Garibaldi Resources Corp.  
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**4. Cash and Cash Equivalents**

	2021	2020
Cash	\$ 258,145	\$ 702,086
Redeemable GIC's	-	5,500,000
<b>Total</b>	<b>\$ 258,145</b>	<b>\$ 6,202,086</b>

**5. Receivables**

	2021	2020
GST receivable (Canada)	\$ 94,652	\$ 88,527
Accrued interest receivable	-	80,367
Other receivables	14,086	2,328
<b>Total</b>	<b>\$ 108,738</b>	<b>\$ 171,222</b>

The Company is exposed to credit risk on sales taxes receivable which consist of refundable government goods and services taxes. The Company records a 100% allowance on its Mexican sales tax receivable ("IVA"). During the year ended January 31, 2021, the Company recorded a write-down of IVA receivable of \$15,970 (2020 – \$28,970).

**6. Reclamation Deposits**

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company. The reclamation deposits are held in redeemable interest-bearing certificates with large financial institutions.

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**7. Equipment**

***January 31, 2021***

	Motor vehicles	Office equipment	Drilling and exploration equipment	Total
Cost:				
At January 31, 2020	\$ 196,886	\$ 12,994	\$ 452,889	\$ 662,769
Additions	-	-	-	-
At January 31, 2021	196,886	12,994	452,889	662,769
Accumulated Depreciation:				
At January 31, 2020	162,756	11,454	290,809	465,019
Depreciation	10,239	307	32,417	42,963
At January 31, 2021	172,995	11,761	323,226	507,982
Net book value:				
At January 31, 2020	\$ 34,130	\$ 1,540	\$ 162,080	\$ 197,750
At January 31, 2021	\$ 23,891	\$ 1,233	\$ 129,663	\$ 154,787

***January 31, 2020***

	Motor vehicles	Office equipment	Drilling and exploration equipment	Total
Cost:				
At January 31, 2019	\$ 196,886	\$ 12,994	\$ 351,821	\$ 561,701
Additions	-	-	101,068	101,068
At January 31, 2020	196,886	12,994	452,889	662,769
Accumulated Depreciation:				
At January 31, 2019	148,129	11,070	262,922	422,121
Depreciation	14,627	384	27,887	42,898
At January 31, 2020	162,756	11,454	290,809	465,019
Net book value:				
At January 31, 2019	\$ 48,758	\$ 1,924	\$ 88,899	\$ 139,581
At January 31, 2020	\$ 34,130	\$ 1,540	\$ 162,080	\$ 197,750

**8. Right-of-Use Asset and Lease Liability**

The following tables summarize the difference between operating lease commitment disclosed immediately preceding the date of initial application and lease liability recognized in the consolidated statement of financial position:

***Right-of-Use Asset***

Value of right-of-use asset as at February 1, 2019	\$ 183,410
Amortization	(45,852)
Balance as at January 31, 2020	\$ 137,557
Amortization	(45,852)
Balance as at January 31, 2021	\$ 91,705

***Lease liability***

Operating lease commitment as at February 1, 2019	\$ 213,456
Discount using incremental borrowing rate	(30,046)
Lease liability recognized as at February 1, 2019	\$ 183,410
Lease payments	(54,054)
Lease interest	19,919
Balance as at January 31, 2020	\$ 149,274
Lease payments	(55,031)
Lease interest	14,460
Balance as at January 31, 2021	\$ 108,703
Current portion	\$ 44,239
Long-term portion	64,464
Balance as at January 31, 2021	\$ 108,703

At January 31, 2021, future payments required under the Company's office lease are as follows:

Year ending January 31, 2022	\$ 56,640
Year ending January 31, 2023	58,020
Total	\$ 114,660

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**9. Exploration and Evaluation Assets**

**January 31, 2021**

	Mexico			Canada							TOTAL
	La Patilla	Iris	Sonora	Red Lion	Grizzly & Golden Bear	King & King South	E&L	Palm Spring	Sid, Sunrise & Atlin	Black Gold & Tora Tora	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition Costs</b>											
Balance, January 31, 2020	122,148	312,438	653,782	1,188,317	151,223	6,628	2,509,111	1,144,480	568,000	69,555	<b>6,725,682</b>
Additions	2,279	661	79,121	-	-	930	-	-	42,000	-	<b>124,991</b>
Write-off of E&E assets	-	(313,099)	(732,903)	-	-	-	-	-	-	-	<b>(1,046,002)</b>
Balance, January 31, 2021	<b>124,427</b>	-	-	<b>1,188,317</b>	<b>151,223</b>	<b>7,558</b>	<b>2,509,111</b>	<b>1,144,480</b>	<b>610,000</b>	<b>69,555</b>	<b>5,804,671</b>
<b>Deferred Exploration Costs</b>											
Balance, January 31, 2020	492,505	230,140	1,128,270	426,855	1,741,170	288,585	24,679,275	458,614	765,343	192,673	<b>30,403,430</b>
Depreciation	-	-	-	-	-	-	39,437	-	-	-	<b>39,437</b>
Assays	-	-	-	-	-	-	193,900	21,957	-	-	<b>215,857</b>
Drilling and trenching	-	-	-	-	-	-	1,386,648	249,659	-	-	<b>1,636,307</b>
Equipment rental	-	-	-	-	-	-	214,722	15,050	-	-	<b>229,772</b>
Geology and mapping	-	-	-	-	-	-	921,990	224,392	27,600	-	<b>1,173,982</b>
Helicopter	-	-	-	-	-	-	1,750,811	88,874	-	-	<b>1,839,685</b>
Surveying	-	-	-	-	-	-	403,184	-	10,000	-	<b>413,184</b>
Travel and field	-	-	-	-	-	-	1,445,636	137,924	26,919	-	<b>1,610,479</b>
Less: BCMETC	-	-	-	-	-	-	(1,075,825)	(48,267)	(12,904)	-	<b>(1,136,996)</b>
Write-off of E&E assets	-	(230,140)	(1,128,270)	-	-	-	-	-	-	-	<b>(1,358,410)</b>
Balance, January 31, 2021	492,505	-	-	426,855	1,741,170	288,585	29,959,778	1,148,203	816,958	192,673	<b>35,066,727</b>
<b>Total</b>	<b>616,932</b>	-	-	<b>1,615,172</b>	<b>1,892,393</b>	<b>296,143</b>	<b>32,468,889</b>	<b>2,292,683</b>	<b>1,426,958</b>	<b>262,228</b>	<b>40,871,398</b>

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9. Exploration and Evaluation Assets (cont'd)

January 31, 2020

	Mexico			Canada							TOTAL
	La Patilla	Iris	Sonora	Red Lion	Grizzly & Golden Bear	King & King South	E&L	Palm Spring	Sid, Sunrise & Atlin	Black Gold & Tora Tora	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Acquisition Costs</b>											
Balance, January 31, 2019	117,347	283,532	1,525,866	1,188,317	151,223	36,628	2,509,111	1,144,480	414,000	69,555	7,440,059
Additions	4,801	28,906	295,887	-	-	-	-	-	154,000	-	483,594
Write-off of E&E assets	-	-	(1,167,971)	-	-	(30,000)	-	-	-	-	(1,197,971)
Balance, January 31, 2020	<b>122,148</b>	<b>312,438</b>	<b>653,782</b>	<b>1,188,317</b>	<b>151,223</b>	<b>6,628</b>	<b>2,509,111</b>	<b>1,144,480</b>	<b>568,000</b>	<b>69,555</b>	<b>6,725,682</b>
<b>Deferred Exploration Costs</b>											
Balance, January 31, 2019	485,951	230,140	3,295,194	426,855	1,740,770	288,585	15,653,294	303,665	765,343	192,673	23,382,470
Depreciation	-	-	-	-	-	-	38,171	-	-	-	38,171
Assays	-	-	-	-	-	-	430,798	40,759	-	-	471,557
Drilling and trenching	-	-	-	-	-	-	3,062,759	-	-	-	3,062,759
Equipment rental	-	-	-	-	-	-	265,085	-	-	-	265,085
Geology and mapping	-	-	-	-	500	-	1,781,250	-	-	-	1,781,750
Helicopter	-	-	-	-	-	-	2,689,026	-	-	-	2,689,026
Surveying	-	-	-	-	-	-	775,273	-	-	-	775,273
Travel and field	6,554	-	-	-	-	-	1,958,331	152,926	-	-	2,117,811
Less: BCMETC	-	-	-	-	(100)	-	(1,974,712)	(38,736)	-	-	(2,013,548)
Write-off of E&E assets	-	-	(2,166,924)	-	-	-	-	-	-	-	(2,166,924)
Balance, January 31, 2020	<b>492,505</b>	<b>230,140</b>	<b>1,128,270</b>	<b>426,855</b>	<b>1,741,170</b>	<b>288,585</b>	<b>24,679,275</b>	<b>458,614</b>	<b>765,343</b>	<b>192,673</b>	<b>30,403,430</b>
<b>Total</b>	<b>614,653</b>	<b>542,578</b>	<b>1,782,052</b>	<b>1,615,172</b>	<b>1,892,393</b>	<b>295,213</b>	<b>27,188,386</b>	<b>1,603,094</b>	<b>1,333,343</b>	<b>262,228</b>	<b>37,129,112</b>

**9. Exploration and Evaluation Assets (cont'd)**

**Mexico Properties**

**La Patilla**

The Company owns a 100% interest in the La Patilla property located in Sinaloa State, Mexico. Should the property be placed into commercial production, the Company will issue 800,000 common shares to the original owner and will pay a 3% net smelter return royalty capped at US\$3,000,000. The Company has the right to buy down the net smelter return royalty to 1% by paying US\$2,000,000.

**Iris**

The Company owns a 100% interest in the Iris property located in Chihuahua State, Mexico. The property is subject to a 2% net smelter return royalty. The Company has the right to buy down the net smelter return royalty to 1% by paying US\$1,500,000 to the optionor. During the year ended January 31, 2021, the Company wrote-off exploration and evaluation costs of \$543,239 (2020 - \$Nil) related to the Iris property.

**Sonora**

The Company owns 100% interests in two non-contiguous properties in Sonora State, Mexico, known as Tonichi and Rodadero. The properties are each subject to 1% net smelter return royalties which the Company can purchase at any time for \$1,000,000 each. During the year ended January 31, 2021, the Company wrote-off exploration and evaluation costs of \$1,861,173 (2020 - \$3,334,895) related to the Tonichi and Rodadero properties.

The Company must incur minimum exploration and development expenditures of approximately \$75,000 per year to keep the properties in good standing.

**Canada Properties**

**Red Lion**

On January 31, 2014, the Company entered into a mineral property option agreement to acquire a 100% interest in 5 mineral tenures located in the Liard Mining Division of British Columbia, known as the Mount Sister Mary Property and a 100% interest in six mineral tenures located in the Omenica Mining Division of British Columbia, known as the Red Lion Property. The optionor retained a net smelter return royalty of 2% which may be reduced to 1% by the Company at any time for \$2,000,000. Under the terms of the agreement the option payments and share issuances were as follows:

- Within 10 days of TSX-V approval – cash payment of \$18,500 (paid) and issuance of 75,000 common shares (issued with a fair value of \$16,875).
- On or before January 31, 2015 – issuance of additional 150,000 common shares (issued with a fair value of \$25,500).
- On or before January 31, 2016 – issuance of additional 150,000 common shares (issued with a fair value of \$18,000).
- On or before January 31, 2017 – issuance of additional 150,000 common (issued with a fair value of \$22,500).
- On or before January 31, 2018 – issuance of additional 500,000 common shares (issued with a fair value of \$1,110,000).

During the year ended January 31, 2016, the Company abandoned its interest in the Mount Sister Mary mineral tenures. The Company retained the Red Lion mineral tenures.

**9. Exploration and Evaluation Assets (cont'd)**

**Grizzly**

The Company owns a 100% in the Grizzly property located in the Sheslay Valley in northwestern British Columbia, subject to a 2% net smelter return royalty.

On January 27, 2014, the Company entered into an agreement to purchase a 100% interest in two additional mineral properties, East Hat and East Hat 2, adjacent to the Grizzly property. The vendor retained a 2% net smelter return on production from the properties. The Company has the option at any time to reduce the net smelter return to 1% for a payment of \$1,000,000 to the vendor. On March 5, 2014, the Company received TSX-V approval of the agreement and issued 100,000 common shares with a fair value of \$22,500 to the vendor.

**Golden Bear**

On May 5, 2015, the Company acquired eight mineral claims comprising approximately 1,400 hectares adjacent to the southern border of the Company's Grizzly property.

Under the terms of the agreement, the Company issued 150,000 common shares with a fair value of \$9,000 in exchange for a 100% interest in the Golden Bear claims, subject to a 2% net smelter return royalty, half of which the Company can buy back for \$1,000,000.

**King**

On August 15, 2009, the Company entered into a mineral property option agreement to acquire six mineral tenures comprising approximately 1,720 hectares located in the Iskut River area of British Columbia known as the King Property. Under the terms of the agreement, the Company agreed to pay \$10,000 (paid), issue 100,000 common shares (issued at a value of \$21,000), pay an additional \$90,000 in cash or shares in tranches over the next five years, and complete \$100,000 (completed) in exploration work on the property. The Company was to make a \$70,000 payment by June 30, 2014 which was not paid.

On December 15, 2015, the option agreement was amended and the Company earned a 100% interest in the King Property by agreeing to engage the optionor for a minimum of \$72,500 of exploration work on the King Property in 2016 in lieu of making the final \$70,000 option payment. The optionor retained a net smelter return royalty of 2%.

During the year ended January 31, 2021, the Company staked additional claims at the King property for \$930.

**King South**

On May 10, 2016, the Company entered into a purchase agreement to acquire 17 mineral tenures located in the Liard Mining Division of British Columbia known as the King South claims. In exchange for the tenures the Company issued 300,000 common shares with a fair value of \$30,000 and agreed to engage the vendor for a minimum of \$50,000 (incurred during the year ended January 31, 2017) of exploration work on the claims. The vendor retained a net smelter return royalty of 2% which may be reduced to 1% by the Company at any time for \$1,000,000.

During the year ended January 31, 2020, the Company wrote-off property acquisition costs of \$30,000 related to the King South property.

**9. Exploration and Evaluation Assets (cont'd)**

**E&L**

On June 3, 2016, the Company entered into a mineral property option agreement to acquire a 100% interest in four mineral tenures located in the Liard Mining Division in northwest British Columbia known as the E&L property. In order to earn the interest, the Company was required make cash payments totalling \$100,000, issue 1,100,000 common shares over the four-year option period and incur exploration expenditures on the property totalling \$375,000 by the end of the four-year option period. The option is subject to a 2% net smelter return royalty retained by the optionor.

Under the terms of the agreement, in order to acquire the 100% interest in the E&L property, the option payments, share issuances and exploration expenditures were as follows:

- Within 10 days of TSX-V approval – a cash payment of \$5,000 (paid) and the issuance of 100,000 common shares (issued with a fair value of \$10,500).
- On or before June 3, 2017 – a cash payment of \$15,000 (paid), the issuance of an additional 200,000 common shares (issued with a fair value of \$29,000) and exploration expenditures of \$25,000 (incurred).
- On or before June 3, 2018 – a cash payment of \$20,000 (paid), the issuance of an additional 250,000 common shares (issued with a fair value of \$787,500) and exploration expenditures of an additional \$50,000 (incurred).
- On or before June 3, 2019 – a cash payment of \$25,000 (paid), the issuance of an additional 250,000 common shares (issued with a fair value of \$672,500) and exploration expenditures of an additional \$75,000 (incurred).
- On or before June 3, 2020 – a cash payment of \$35,000 (paid), the issuance of an additional 300,000 common shares (issued with a fair value of \$807,000) and exploration expenditures of an additional \$225,000 (incurred).

During the year ended January 31, 2019, the Company opted to accelerate all the option payments due on the E&L property. At January 31, 2019, the Company owned a 100% interest in the E&L property, subject to the 2% net smelter return royalty.

During the year ended January 31, 2017, the Company increased the size of the E&L property in a series of mineral property purchase agreements as follows:

- i) Pursuant to a mineral property purchase agreement dated September 12, 2016, the Company acquired 20 mineral tenures, comprising 1,473 hectares known as the East Claims property in consideration for 150,000 common shares (issued during the year ended January 31, 2017 at a value of \$12,750) and a cash payment of \$15,000 (paid during the year ended January 31, 2017);
- ii) Pursuant to a Purchase Agreement dated October 18, 2016, the Company acquired two mineral tenures comprising approximately 89 hectares known as the E&L South and North claims in consideration for 75,000 common shares (issued during the year ended January 31, 2017 at a value of \$6,750); and
- iii) Pursuant to a Purchase Agreement dated October 28, 2016, the Company acquired 10 mineral tenures comprising approximately 4,148 hectares known as the Qu claims in consideration for 500,000 common shares (issued during the year ended January 31, 2017 at a value of \$65,000).

**9. Exploration and Evaluation Assets (cont'd)**

**Palm Spring**

On May 5, 2016 and amended on June 19, 2018, the Company entered into a mineral property option agreement to acquire a 100% interest in 35 mineral tenures located in the Liard Mining Division in northwest British Columbia known as the Palm Spring property. The optionor retained a net smelter return royalty of 2% which may be reduced to 1% by the Company at any time for \$1,000,000.

Under the terms of the agreement, in order to acquire a 100% interest in the Palm Spring property, the option payments and share issuances were as follows:

- Within 10 days of TSX-V approval – a cash payment of \$10,000 (paid) and the issuance of 100,000 common shares (issued with a fair value of \$8,000).
- On or before May 5, 2017 – the issuance of an additional 200,000 common shares (issued with a fair value of \$30,000).
- On or before May 5, 2018 – the issuance of an additional 300,000 common shares (issued with a fair value of \$924,000).
- On or before June 19, 2018 – the issuance of an additional 56,000 common shares (issued with a fair value of \$172,480).
- On or before June 19, 2018 – incur an additional \$97,000 in exploration expenditures (incurred).

During the year ended January 31, 2019, the Company re-negotiated the Palm Spring option agreement and paid the all re-negotiated option payments. At January 31, 2019, the Company owned a 100% interest in the Palm Spring property, subject to the 2% net smelter return royalty.

**9. Exploration and Evaluation Assets (cont'd)**

**Sid, Sunrise & Atlin**

On October 5, 2016 and amended on September 20, 2018, the Company entered into a mineral property option agreement to acquire a 100% interest in 17 mineral tenures located in the Omenica Mining Division in British Columbia known as the Sid and Sunrise claims and a 100% interest in four mineral tenures located in the Atlin Mining Division of British Columbia known as the Atlin claims. In order to earn the interests, the Company was required to pay \$90,000 (paid) and issue 500,000 common shares over a four-year option period. The mineral properties are subject to 2% net smelter return royalties retained by the optionor.

Under the terms of the option agreement, in order to acquire the 100% interests in the mineral properties, the share issuances were as follows:

- Within 10 days of TSX-V approval – the issuance of 100,000 common shares (issued with a fair value of \$11,000).
- On or before October 5, 2017 – the issuance of an additional 100,000 common shares (issued with a fair value of \$220,000).
- On or before November 5, 2018 – the issuance of an additional 100,000 common shares (issued with a fair value of \$93,000).
- On or before November 5, 2019 – the issuance of an additional 100,000 common shares (issued with a fair value of \$98,000).
- On or before November 5, 2020 – the issuance of an additional 100,000 common shares (issued with a fair value of \$42,000).

The 2% net smelter return royalties may be reduced to 1% by the Company at any time for \$1,000,000.

At January 31, 2021, the Company owns a 100% interest in the Sid, Sunrise and Atlin properties.

On March 31, 2019, the Company entered into a mineral property purchase agreement to acquire a 100% interest in 21 mineral claims known as the Keystone claims located in the Atlin Mining Division of British Columbia. The purchase price was \$56,000.

**Black Gold**

The Company's Black Gold property represents a black granite quarry located in Grand Forks, British Columbia. The claims remain in good standing.

**Tora Tora**

The Tora Tora mineral claims are located in the Similkameen area of British Columbia and were acquired at a nominal cost, subject to a 2% net smelter return royalty. The Company continues to pay maintenance fees to keep these claims in good standing.

**10. Trade Payables and Accrued Liabilities**

	2021	2020
Land taxes payable (Mexico)	\$ 82,061	\$ 220,810
Trade payables	295,739	292,224
<b>Total</b>	<b>\$ 377,800</b>	<b>\$ 513,034</b>

**11. Commitments**

*Management services agreements:*

The Company has entered into management services agreements which provide for monthly remuneration of \$12,000 for each of its Chief Executive Officer and Chief Financial Officer.

**12. Share Capital**

**Authorized:**

Unlimited common shares with no par value

**Issued:**

During the Year Ended January 31, 2021:

On July 22, 2020, the Company issued 1,000,000 common shares pursuant to the exercise of stock options for proceeds of \$100,000 and re-classified \$30,000 from contributed surplus to share capital upon exercise.

On November 20, 2020, the Company issued 3,388,666 flow-through units at \$0.60 per unit for proceeds of \$2,033,200. Each flow-through unit comprised one flow-through common share and one-half of one share purchase warrant. Each full warrant is exercisable into one common share at \$0.75 until November 20, 2022. The Company recorded a flow-through premium of \$508,300 on the private placement. At January 31, 2021, the Company recorded other income of \$168,712 (2020: \$125,386) with the remaining premium of \$339,588 presented as a flow-through premium liability.

The Company incurred a finder's fee of \$105,000 and legal fees of \$7,500 related to this private placement. In addition, the Company issued 175,000 finder's warrants exercisable into common shares at \$0.60 until November 20, 2022. The fair value of the finder's warrants was \$28,000. The fair value was determined using the Black-Scholes option pricing model using the following assumptions:

Expected life of warrants	2 years
Annualized volatility	80%
Risk-free interest rate	0.40%
Dividend rate	0%
Forfeiture rate	0%

On December 23, 2020, the Company issued 1,050,000 common shares pursuant to the exercise of stock options for proceeds of \$210,000 and re-classified \$94,500 from contributed surplus to share capital upon exercise.

On December 23, 2020, the Company issued 100,000 common shares with a fair value of \$42,000 as the final property payment on the Sid, Sunrise and Atlin properties.

**12. Share Capital (cont'd)**

***Issued: (cont'd)***

***During the Year Ended January 31, 2020:***

During the period from March 27, 2019 to September 30, 2019, the Company issued 6,887,433 common shares pursuant to the exercise of share purchase warrants for proceeds of \$5,598,061.

On June 24, 2019, the Company issued 200,000 common shares pursuant to the exercise of stock options for proceeds of \$100,000 and re-classified \$114,431 from contributed surplus to share capital upon exercise.

On September 17, 2019, the Company issued 200,000 common shares pursuant to the exercise of stock options for proceeds of \$100,000 and re-classified \$114,431 from contributed surplus to share capital upon exercise.

On December 2, 2019, the Company issued 100,000 common shares with a fair value of \$98,000 as a property payment on the Sid, Sunrise and Atlin properties.

***Stock Options:***

The Company has a stock option plan available to directors, officers, employees and consultants under which the total stock options available for grant is limited to 10% of the issued and outstanding common shares at any point in time. The exercise price of options granted may not be less than the market price of the Company's stock on the date of grant less any discount permitted by the policies of the TSX-V.

Options are granted for a maximum term of five years and vest on the date of the grant unless vesting terms are prescribed by regulatory policy or otherwise determined by the Company's Board of Directors.

***During the Year Ended January 31, 2020:***

On July 18, 2019, the Company granted 1,200,000 stock options to directors, officers and consultants of the Company exercisable for a period of five years at \$1.50 per share.

The fair value of the options was \$1,536,000. The fair value was determined using the Black-Scholes option pricing model using the following assumptions:

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Expected life of options	5 years
Annualized volatility	101%
Risk-free interest rate	1.90%
Dividend rate	0%
Forfeiture rate	0%

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**12. Share Capital (cont'd)**

***Stock Options: (cont'd)***

A summary of stock option activity for the years ended January 31, 2021 and 2020 is as follows:

	Year ended January 31, 2021		Year ended January 31, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	4,400,000	\$ 0.69	3,600,000	\$ 0.39
Options granted	-	-	1,200,000	1.50
Options exercised	(2,050,000)	0.15	(400,000)	0.50
Options expired	(150,000)	0.20		
Options outstanding, end of year	2,200,000	\$ 1.22	4,400,000	\$ 0.69
Options exercisable, end of year	2,200,000	\$ 1.22	4,400,000	\$ 0.69

At January 31, 2021, the weighted average remaining contractual life of the outstanding options is 2.62 years.

At January 31, 2021, there were 2,200,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of options outstanding	Exercise Price	Expiry Date
700,000	\$0.50	August 18, 2022
200,000	\$1.50	September 26, 2022
100,000	\$2.30	February 16, 2023
1,200,000	\$1.50	July 18, 2024
2,200,000		

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**12. Share Capital (cont'd)**

**Share Purchase Warrants**

A summary of share purchase warrant activity for the years ended January 31, 2021 and 2020 is as follows:

	Year ended January 31, 2021		Year ended January 31, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	3,174,603	\$ 4.50	10,062,036	\$ 1.98
Warrants exercised	-	-	(6,887,433)	0.81
Warrants issued	1,869,333	0.74		
Warrants outstanding, end of year	5,043,936	\$ 3.11	3,174,603	\$ 4.50

At January 31, 2021, the weighted average remaining contractual life of the outstanding warrants is 1.75 years.

At January 31, 2021, there were 5,043,936 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of warrants Outstanding	Exercise Price	Expiry Date
2,539,683	\$4.50	October 20, 2022
634,920	\$4.50	October 26, 2022
1,694,333	\$0.75	November 20, 2022
175,000	\$0.60	November 20, 2022
5,043,936		

During the year ended January 31, 2021, the Company extended the expiry dates on 3,174,603 outstanding share purchase warrants exercisable at \$4.50 by two years to the above dates.

**13. Related Party Transactions and Balances**

The Company considers its Board of Directors to be key management personnel. The Company incurred the following key management compensation charges during the years ended January 31, 2021 and 2020:

	2021	2020
Exploration and evaluation costs	\$ 103,485	\$ -
Consulting fees	68,795	20,200
Management fees	288,000	288,000
Share-based compensation	-	768,000
	\$ 460,280	\$ 1,076,200

At January 31, 2021, trade payables and accrued liabilities included \$79,604 (2020: \$12,729) due to a director of the Company, a former director of the Company and to a company with a director in common with the Company for services provided. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

**14. Financial Instruments and Risk Management**

As at January 31, 2021, the Company's financial instruments consist of cash and cash equivalents, trade payables and lease liability.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

***Credit risk***

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Mexico. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from financing activities and its holdings of cash and cash equivalents.

Historically, the Company's primary source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. See Note 2.

The following is an analysis of the contractual maturities of the Company's non-derivative financial liabilities as at January 31, 2021:

	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Trade payables	\$ 377,800	\$ -	\$ -
Lease liability	44,239	64,464	-
	<b>\$ 422,039</b>	<b>\$ 64,464</b>	<b>\$ -</b>

**14. Financial Instruments and Risk Management (cont'd)**

***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currencies. The Company does not hedge its exposure to fluctuations in foreign exchange rates.

The Company's Mexican subsidiary is exposed to currency risk as it incurs expenditures that are denominated in Mexican pesos while its functional currency is the Canadian dollar.

The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in Mexican pesos:

	2021	2020
Cash	\$ 623	\$ 232
Trade payables	(115,118)	(220,810)
	\$ (114,495)	\$ (220,578)

Based on the above net exposure, at January 31, 2021, a 10% change in the exchange rate of the Mexican peso in relation to the Canadian dollar would impact the Company's net income or loss by approximately \$11,400.

The Company is also exposed to currency risk as it incurs expenditures that are denominated in US dollars while its functional currency is the Canadian dollar.

The following is an analysis of the Canadian dollar equivalent of financial assets and liabilities that are denominated in US dollars:

	2021	2020
Cash	\$ 14,651	\$ 41,792
Trade payables	(6,564)	(6,797)
	\$ 8,087	\$ 34,995

Based on the above net exposure, at January 31, 2021, a 10% change in the exchange rate of the US dollar in relation to the Canadian dollar would impact the Company's net income or loss by approximately \$800.

***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are exposed to interest rate risk. The Company manages its interest rate risk by obtaining the best commercial deposit interest rates available.

**14. Financial Instruments and Risk Management (cont'd)**

***Classification of financial instruments***

Financial assets included in the consolidated statements of financial position are as follows:

	2021	2020
Fair value through profit or loss:		
Cash and cash equivalents	\$ 258,145	\$ 6,202,086
	\$ 258,145	\$ 6,202,086

Financial liabilities included in the consolidated statements of financial position are as follows:

	2021	2020
Fair value through profit or loss:		
Trade payables	\$ 377,800	\$ 513,034
Lease liability	108,703	149,274
	\$ 486,503	\$ 662,308

***Fair values***

The fair values of the Company's financial assets and liabilities approximate their carrying amounts.

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

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

The following is an analysis of the Company's financial instruments measured at fair value on a recurring basis as at January 31, 2021 and 2020:

	January 31, 2021		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 258,145	\$ -	\$ -
	\$ 258,145	\$ -	\$ -
	January 31, 2020		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 6,202,086	\$ -	\$ -
	\$ 6,202,086	\$ -	\$ -

**15. Segmented Information**

***Operating segment***

The Company operates in a single reportable operating segment which is the acquisition, exploration and evaluation of mineral properties.

***Geographic segments***

The Company's non-current assets are located in the following countries:

	January 31, 2021		
	Canada	Mexico	Total
Equipment	\$ 144,896	\$ 9,891	\$ 154,787
Right of use asset	91,705	-	91,705
Reclamation deposits	156,041	-	156,041
Exploration and evaluation assets	40,254,466	616,932	40,871,398
	<u>\$ 40,647,108</u>	<u>\$ 626,823</u>	<u>\$ 41,273,931</u>
	January 31, 2020		
	Canada	Mexico	Total
Equipment	\$ 184,640	\$ 13,110	\$ 197,750
Right of use asset	137,557	-	137,557
Reclamation deposits	155,945	-	155,945
Exploration and evaluation assets	34,189,829	2,939,283	37,129,112
	<u>\$ 34,667,971</u>	<u>\$ 2,952,393</u>	<u>\$ 37,620,364</u>

**16. Non-cash Transactions**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the consolidated statements of cash flows. During the years ended January 31, 2021 and 2020, the following transactions were excluded from the consolidated statements of cash flows:

	2021	2020
Depreciation on equipment capitalized to exploration and evaluation assets	\$ 39,437	\$ 38,171
Shares issued for exploration and evaluation assets	\$ 42,000	\$ 98,000
BCMETS receivable included in exploration and evaluation assets	\$ 1,136,996	\$ 2,013,548
Fair value of finder's warrants issued on private placement	\$ 28,000	\$ -
Right of use asset and lease liability – initial recognition	\$ -	\$ 183,410
Reclassification on exercise of stock options	\$ 124,500	\$ 228,862

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**17. Income Taxes**

A reconciliation of the expected income tax (expense) recovery to the actual income tax recovery is as follows:

	2021	2020
Net loss before income taxes	\$ (3,137,459)	\$ (5,606,487)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	\$ (847,114)	\$ (1,513,751)
Permanent and other differences	1,141,873	1,770,829
Change in unrecognized deferred tax assets	241	(78)
Deferred income tax expense	\$ 295,000	\$ 257,000

The components of the Company's Canadian deferred tax assets and liabilities are as follows:

	2021	2020
Expected tax recovery rate	27%	27%
Book value in excess of tax value of exploration assets	\$ (5,775,371)	\$ (5,196,645)
Non-capital loss carry-forwards	2,534,104	2,255,295
Share issue costs	92,208	123,481
Capital cost allowance in excess of book value of equipment	59,725	23,330
Total deferred income tax assets (liabilities)	(3,089,334)	(2,794,575)
Unrecognized deferred tax assets	(186,666)	(186,425)
Net deferred tax assets (liabilities)	\$ (3,276,000)	\$ (2,981,000)

The potential benefit of Mexican net operating tax loss carry-forwards and other Mexican deferred tax assets has not been recognized in the consolidated financial statements since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years. The approximate tax effects of each type of temporary difference that gives rise to deferred tax assets are as follows:

	2021	2020
Mexican statutory rate	30%	30%
Book value of mineral properties in excess of tax bases	\$ (392,875)	\$ (335,741)
Book value of plant and equipment in excess of tax bases	(2,967)	(3,933)
Mexican tax losses carried forward	395,842	339,674
Net deferred tax assets	\$ -	\$ -

***Flow-through Expenditures:***

On December 31, 2020, the Company renounced exploration expenditures of \$2,031,505 to the investors in the flow-through private placement completed on November 20, 2020. At January 31, 2021, the Company had incurred related exploration expenditures of \$674,849. The Company is required to incur an additional \$1,356,656 of exploration expenditures by December 31, 2021.

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**17. Income Taxes** (cont'd)

At January 31, 2021, the Company has \$9,385,573 (2020: \$8,352,809) in non-capital tax losses available to reduce future Canadian taxable income. Additionally, the Company has \$1,319,475 (2020: \$1,132,247) in tax losses available to reduce future Mexican taxable income. The Company's Canadian non-capital tax losses and Mexican tax losses, if unused, expire as follows:

Year of Expiry	Canada	Mexico
2021	\$ –	\$ 74,332
2022	–	544,723
2023	–	25,454
2024	–	98,183
2025	–	45,974
2027	–	58,746
2028	56,365	53,827
2029	606,698	54,091
2030	–	61,575
2031	922,811	302,570
2032	867,486	–
2033	558,090	–
2034	492,270	–
2035	844,455	–
2036	680,687	–
2037	622,585	–
2038	873,433	–
2039	957,058	–
2040	904,535	–
2041	999,100	–
	\$ 9,385,573	\$ 1,319,475

**18. Capital Management**

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the Company's objectives. In order to pay for general administrative costs, the Company will use its existing working capital and raise additional amounts as needed. The Company will continue to explore its mineral properties.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital is comprised of shareholders' equity. The Company may access capital through the issuance of shares or the disposition of assets. Management historically funds the Company's expenditures by issuing share capital rather than using capital sources that require fixed repayments of principal and/or interest. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products. The Company believes it will be able to raise additional equity capital as required, but recognizes the uncertainty attached thereto.

There were no changes in the Company's approach to capital management during the years ended January 31, 2021 and 2020.

**19. Subsequent Event**

*Options Granted*

On March 8, 2021, the Company granted 2,850,000 stock options entitling the holders thereof the right to purchase one common share for each option held at \$1.00 per share until March 8, 2026.