



P2 GOLD INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020**



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

Unaudited - Expressed in Canadian Dollars

	Note	June 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 5,748,316	\$ 1,634,964
Receivables and other	3	101,652	225,402
		5,849,968	1,860,366
Non-current assets			
Restricted cash	4	146,603	-
Property, plant and equipment	5	342,090	-
Total assets		\$ 6,338,661	\$ 1,860,366
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 419,548	\$ 118,007
Current portion of lease obligations	7	110,278	-
Current portion of acquisition liabilities - Gabbs Project	8	4,541,842	-
Flow-through share premium liability		235,000	-
		5,306,668	118,007
Non-current liabilities			
Lease obligations	7	193,719	-
Acquisition liabilities - Gabbs Project	8	5,642,267	-
		11,142,654	118,007
SHAREHOLDERS' EQUITY			
Share capital	10	23,111,082	8,490,458
Other reserves	10	1,682,760	948,771
Accumulated other comprehensive income ("AOCI")		214,072	-
Deficit		(29,811,907)	(7,696,870)
		(4,803,993)	1,742,359
Total liabilities and shareholders' equity		\$ 6,338,661	\$ 1,860,366
Nature of operations and going concern	1		
Commitments	13		

Approved on behalf of the Board of Directors:

"Ron MacDonald"

Ron MacDonald
Chair of the Audit Committee

"Joseph Ovsenek"

Joseph Ovsenek
Chair of the Board, President and CEO

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



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Unaudited - Expressed in Canadian dollars, except for share data

	Note	For the three months ended		For the six months ended	
		June 30, 2021	June 30, 2020 <i>Restated</i>	June 30, 2021	June 30, 2020 <i>Restated</i>
Exploration and evaluation expenditures	8	\$ 20,632,000	\$ 120,661	\$ 20,879,737	\$ 186,834
Administrative expenses					
Share-based compensation	10	437,937	141,392	569,253	141,392
General and administrative		196,915	27,101	293,874	43,780
Professional fees		80,969	68,166	169,347	121,351
Depreciation	5	31,628	11,040	62,298	24,594
Investor relations and travel		52,046	17,970	58,758	18,243
Shareholder information		19,853	12,091	41,478	27,189
Total administrative expenses		819,348	277,760	1,195,008	376,549
Operating loss		(21,451,348)	(398,421)	(22,074,745)	(563,383)
Interest and finance expense	9	(96,105)	(424)	(104,752)	(1,485)
Gain (loss) on sale of equipment or exploration property		10	(5,378)	10	(5,378)
Interest and finance income		713	326	1,919	1,235
Foreign exchange gain		5,814	-	5,814	-
Loss before taxes		(21,540,916)	(403,897)	(22,171,754)	(569,011)
Flow-through share premium recovery		56,717	-	56,717	-
Net loss for the period		\$ (21,484,199)	\$ (403,897)	\$ (22,115,037)	\$ (569,011)
Other comprehensive loss, net of tax					
Items that may be subsequently reclassified to earnings or loss:					
Currency translation adjustments		214,072	-	214,072	-
Comprehensive loss for the period		\$ (21,270,127)	\$ (403,897)	\$ (21,900,965)	\$ (569,011)
Loss per share - basic and diluted		\$ (0.49)	\$ (0.02)	\$ (0.60)	\$ (0.04)
Weighted average number of shares outstanding		43,770,182	16,909,979	36,683,626	12,757,226

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



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited - Expressed in Canadian dollars

	Note	For the three months ended		For the six months ended	
		June 30, 2021	June 30, 2020 <i>Restated</i>	June 30, 2021	June 30, 2020 <i>Restated</i>
Cash flows used in operating activities					
Net loss for the period		\$ (21,484,199)	\$ (403,897)	\$ (22,115,037)	\$ (569,011)
Items not affecting cash:					
Depreciation	5	31,628	11,040	62,298	24,594
Flow-through share premium recovery		(56,717)	-	(56,717)	-
Interest and finance expense, net		7,319	98	14,760	250
Loss on sale of equipment		-	5,378	-	5,378
Share-based compensation	10	437,937	141,392	569,253	141,392
Shares issued for acquisition of Gabbs					
Project and property option payments	8, 10	7,600,000	-	7,600,000	-
Unrealized foreign exchange gain		(4,258)	-	(4,258)	-
Warrants issued for memorandum of understanding ("MOU") agreement		-	461	-	461
Changes in non-cash working capital items:					
Receivables and other assets		(4,226)	(2,329)	123,750	15,183
Accounts payable and accrued liabilities		10,661,580	29,063	10,683,976	(51,421)
Net cash used in operating activities		(2,810,936)	(218,794)	(3,121,975)	(433,174)
Cash flows used in investing activities					
Interest received		713	326	1,919	1,235
Proceeds from sale of equipment		-	24,779	-	24,779
Purchase of property, plant and equipment	5	(27,239)	(30,157)	(50,029)	(30,157)
Restricted cash	4	(76,603)	-	(146,603)	-
Net cash used in investing activities		(103,129)	(5,052)	(194,713)	(4,143)
Cash flows generated by financing activities					
Payment of lease obligations	7	(33,521)	(12,942)	(67,041)	(27,735)
Proceeds from exercise of share options	10	6,250	-	6,250	-
Proceeds from flow-through share private placement	10	1,750,302	-	1,750,302	-
Proceeds from private placement	10	5,949,030	500,000	5,949,030	500,000
Share issuance costs		(212,759)	-	(212,759)	-
Net cash generated by financing activities		7,459,302	487,058	7,425,782	472,265
Increase in cash and cash equivalents for the period					
		4,545,237	263,212	4,109,094	34,948
Cash and cash equivalents, beginning of period		1,198,821	342,073	1,634,964	570,337
Effect of foreign exchange rate changes on cash and cash equivalents		4,258	-	4,258	-
Cash and cash equivalents, end of period		\$ 5,748,316	\$ 605,285	\$ 5,748,316	\$ 605,285

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



P2 GOLD INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

Unaudited - Expressed in Canadian dollars, except for share data

	Note	Number of common shares	Share capital	Other reserves	AOCI	Deficit	Total
Balance - December 31, 2019		8,558,331	\$ 2,792,644	\$ 406,663	\$ -	\$ (2,684,549)	\$ 514,758
Private placement	10	10,000,000	500,000	-	-	-	500,000
Issuance of warrants	10	-	-	461	-	-	461
Value assigned to share options vested	10	-	-	141,392	-	-	141,392
Loss for the period		-	-	-	-	(569,011)	(569,011)
Balance - June 30, 2020 <i>Restated</i>		18,558,331	\$ 3,292,644	\$ 548,516	\$ -	\$ (3,253,560)	\$ 587,600
Balance - December 31, 2020		29,518,331	\$ 8,490,458	\$ 948,771	\$ -	\$ (7,696,870)	\$ 1,742,359
Private placement	10	11,898,060	5,949,030	-	-	-	5,949,030
Flow-through share private placement	10	2,917,170	1,458,585	-	-	-	1,458,585
Share issuance costs	10	-	(228,505)	-	-	-	(228,505)
Share issuance costs - brokers warrants	10	-	(81,983)	81,983	-	-	-
Shares issued for acquisition of Gabbs Project	8, 10	15,000,000	7,500,000	-	-	-	7,500,000
Shares issued for property option payments	8, 10	200,000	100,000	-	-	-	100,000
Issuance of warrants	10	-	(87,515)	87,515	-	-	-
Exercise of share options	10	20,834	11,012	(4,762)	-	-	6,250
Value assigned to share options vested	10	-	-	569,253	-	-	569,253
Currency translation adjustments		-	-	-	214,072	-	214,072
Loss for the period		-	-	-	-	(22,115,037)	(22,115,037)
Balance - June 30, 2021		59,554,395	\$ 23,111,082	\$ 1,682,760	\$ 214,072	\$ (29,811,907)	\$ (4,803,993)

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



1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations

P2 Gold Inc. (the “Company”) was incorporated under the laws of the Canada Business Corporations Act on November 10, 2017. The Company’s common shares are traded on the TSX Venture Exchange (“Exchange”) under the symbol “PGLD”. The address of the Company’s head office is Suite 1100 – 355 Burrard Street, Vancouver, British Columbia (“BC”), Canada, V6C 2G8.

The Company is a mineral exploration company engaged in the acquisition, exploration and development of mineral resource properties primarily in BC, Canada and the western United States of America (“USA”). Currently, the Company is focused on acquiring ownership rights to these properties and financing exploration programs to identify potential mineral reserves.

Management continues to actively monitor the potential effects of the novel coronavirus (“COVID-19”) global pandemic. Any future impacts of COVID-19 remain uncertain. COVID-19 could have a significant impact on future exploration programs at the Company’s properties due to travel restrictions imposed by the government or local communities. COVID-19 could also impact the Company’s ability to raise capital through equity financings in the market.

(b) Going concern assumption

The Company has not yet determined whether its mineral resource properties contain mineral reserves that are economically recoverable. The continued operation of the Company is dependent upon the preservation of its interest in its properties, the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of such properties.

These condensed consolidated interim financial statements are prepared on a going concern basis, which contemplates that the Company will be able to meet its commitments, continue operations and realize its assets and discharge its liabilities in the normal course of business for at least twelve months from June 30, 2021. The Company has incurred ongoing losses and expects to incur further losses in the advancement of its business activities. For the six months ended June 30, 2021, the Company incurred a net loss of \$22,115,037 and used cash in operating activities of \$3,121,975. As at June 30, 2021, the Company had cash and cash equivalents of \$5,748,316, working capital of \$543,300 and an accumulated deficit of \$29,811,907.

The Company continues to incur losses, has limited financial resources and has no current source of revenue or cash flow generated from operating activities. To address its financing requirements, the Company plans to seek financing through, but not limited to, debt financing, equity financing and strategic alliances. However, there is no assurance that such financing will be available. If adequate financing is not available or cannot be obtained on a timely basis, the Company may be required to delay, reduce the scope of or eliminate one or more of its exploration programs or relinquish some or all of its rights under the existing option and acquisition agreements.

The above factors give rise to material uncertainties that may cast significant doubt on the Company’s ability to continue as a going concern.



P2 GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

Expressed in Canadian dollars, except for share data

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

If the going concern assumption were not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported expenses and the consolidated statement of financial position classifications used. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

The Company’s significant accounting policies applied in these condensed consolidated interim financial statements are the same as those disclosed in note 3 of the Company’s annual consolidated financial statements as at and for the years ended December 31, 2020 and 2019. These condensed consolidated interim financial statements should be read in conjunction with the Company’s most recent annual consolidated financial statements.

These condensed consolidated interim financial statements were authorized for issuance by the Board of Directors on August 18, 2021.

(b) Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company, its subsidiaries, listed in the following table:

Name of subsidiary	Place of incorporation	Proportion of ownership interest	Principal activity
P2 Gabbs Inc.	Nevada, USA	100%	Owns the Gabbs Project
P2 Oregon Inc.	Nevada, USA	100%	Holding company

Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when the Company has existing rights that give the Company the ability to direct the activities that significantly affect the investee’s returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a subsidiary’s share capital. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions, including any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.



2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The functional currency of the parent company is the Canadian dollar (“CAD”) and the functional currency of each of the Company’s subsidiaries is the United States dollar (“USD” or “US”). The presentation currency of these condensed consolidated interim financial statements is CAD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in currencies other than an entity’s functional currency. These gains (losses) are recognized in the statement of loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions.

Translation of foreign operations into the presentation currency

The results of operations and statements of financial positions of all the Company’s subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated into CAD using the exchange rate at the statement of financial position date;
- Income and expenses are translated into CAD using the average exchange rate for the period; and
- All resulting exchange differences are recognized as a currency translation adjustment in the statement of comprehensive loss.

(d) Critical accounting estimates and judgments

The preparation of financial statements requires the use of accounting estimates. It also requires management to exercise judgment in the process of applying its accounting policies. Estimates and policy judgments are regularly evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant accounting policy judgments and accounting estimates that the Company has made in the preparation of these condensed consolidated interim financial statements that could result in a material effect in the next twelve months on the carrying amounts of assets and liabilities are:



2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- The ability to continue as a going concern (refer to note 1b);
- The incremental borrowing rate in determining the right-of-use (“ROU”) asset and lease obligation associated with the Company’s corporate head office (refer to note 7);
- The discount rate in determining the fair value of the financial liability associated with the acquisition of the Gabbs Project (refer to note 8); and
- The Black Scholes pricing model assumptions used in the valuation of share options and warrants including volatility and the forfeiture rate (refer to note 10).

3. RECEIVABLES AND OTHER

		June 30, 2021		December 31, 2020
Prepaid expenses and deposits	\$	51,314	\$	53,650
Tax receivables		50,338		171,752
	\$	101,652	\$	225,402

4. RESTRICTED CASH

For some of its BC properties, the Company has \$146,603 of restricted cash (December 31, 2020 – nil) held as security deposits with the BC Ministry of Energy, Mines and Low Carbon Innovation in relation to reclamation requirements.

As at June 30, 2021, the Company holds total surety bonds of \$20,217 in favour of the United States Department of the Interior Bureau of Land Management in support of the reclamation requirements for the Gabbs Project. Subsequent to June 30, 2021, the total surety bonds were increased to \$32,818.

5. PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment		ROU asset		Total
Cost					
Balance - December 31, 2020	\$	-	\$	-	\$ -
Additions		50,029		354,359	404,388
Balance - June 30, 2021	\$	50,029	\$	354,359	\$ 404,388
Accumulated depreciation					
Balance - December 31, 2020	\$	-	\$	-	\$ -
Depreciation		3,238		59,060	62,298
Balance - June 30, 2021	\$	3,238	\$	59,060	\$ 62,298
Net book value - June 30, 2021	\$	46,791	\$	295,299	\$ 342,090

The ROU asset consists of the Company’s corporate head office lease which is depreciated over the term of the lease (36 months).

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

		June 30, 2021		December 31, 2020
Trade payables	\$	393,178	\$	95,365
Accrued liabilities		26,370		22,642
	\$	419,548	\$	118,007

7. LEASE OBLIGATIONS

As at June 30, 2021, the Company's undiscounted lease obligations consisted of the following:

		June 30, 2021		December 31, 2020
Gross lease obligations - minimum lease payments				
1 year	\$	135,756	\$	-
2-3 years		209,500		-
	\$	345,256	\$	-
Future interest expense on lease obligations		(41,259)		-
	\$	303,997	\$	-

For the six months ended June 30, 2021, interest expense on the lease obligations was \$16,679 (2020 - \$1,485). Total cash payments on lease obligations were \$67,041 (2020 - \$27,735). To determine the ROU asset and lease obligation, the Company estimated its incremental borrowing rate to be 10.0% at inception of the lease agreement.

8. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenditures of the Company, by property, for the three and six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Gabbs Project	\$ 19,281,137	\$ -	\$ 19,281,137	\$ -
BAM Property	721,936	-	755,743	-
Silver Reef Property	512,046	93,762	524,826	93,762
Todd Creek Property	82,441	-	112,907	-
Stockade Property	37,641	-	62,574	-
Lost Cabin Property	17,461	-	57,397	-
Prospective exploration properties	(23,360)	-	47,685	-
Timmins Property	2,698	26,899	37,468	93,072
	\$ 20,632,000	\$ 120,661	\$ 20,879,737	\$ 186,834

**8. EXPLORATION AND EVALUATION EXPENDITURES (Continued)****(a) Gabbs Project**

On February 22, 2021, the Company entered into an asset purchase agreement with Borealis Mining Company, LLC (“Borealis”), an indirect, wholly owned subsidiary of Waterton Precious Metals Fund II Cayman, LP (“Waterton”) to acquire all the assets that comprise the Gabbs Project located on the Walker-Lane Trend in the Fairplay Mining District of Nye County, Nevada.

On May 4, 2021, the Company and Borealis agreed to amend the terms of the asset purchase agreement (“Amended Agreement”). Under the Amended Agreement, the Company paid \$1,216,600 (US\$1,000,000) and issued 15,000,000 common shares (\$7,500,000 in fair value) in its capital to Waterton at closing of the transaction. In addition, the Company is required to pay Waterton Nevada Splitter LLC, an affiliate of Borealis, (a) US\$4,000,000 on the twelve-month anniversary of closing and (b) US\$5,000,000 on the earlier of the announcement of results of a Preliminary Economic Assessment and the 24-month anniversary of closing.

Borealis has reserved for itself a 2% net smelter returns royalty on production from the Gabbs Project, of which one percent may be repurchased at any time by the Company for US\$1,500,000 and the remaining one percent of which may be repurchased for US\$5,000,000.

On May 17, 2021, the Company closed a private placement for gross proceeds of \$5,949,030 (note 10) to fund the initial payment under the Amended Agreement.

The financial liability associated with the acquisition of the Gabbs Project was initially recognized at a fair value of US\$8,145,895, using a discount rate of 10.0%. As at June 30, 2021, the remaining amounts payable under the Amended Agreement were recorded on the statement of financial position and the Company’s undiscounted acquisition liabilities consisted of the following:

	June 30, 2021	December 31, 2020
Gross acquisition liabilities - Gabbs Project		
1 year	\$ 4,957,600	\$ -
2-3 years	6,197,000	-
	\$ 11,154,600	\$ -
Future accretion expense on acquisition liabilities	(970,491)	-
	\$ 10,184,109	\$ -

For the six months ended June 30, 2021, accretion of acquisition liabilities related to the Gabbs Project was \$88,073 (2020 – nil) which was recorded in the statement of loss.

(b) Existing option agreements

During the six months ended June 30, 2021, the Company paid \$200,000 in cash and issued 200,000 common shares (\$100,000 in fair value) related to the option agreement for the Silver Reef Property.



8. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

Subsequent to June 30, 2021, the Company completed the following requirements under existing option agreements:

- The Company paid \$150,000 in cash and issued 200,000 common shares related to the option agreement for the BAM Property.
- The Company paid \$150,000 in cash related to the option agreement for the Todd Creek Property.
- The Company paid US\$10,000 in cash related to the option agreement for the Stockade Property.

(c) Natlan Property option agreement

Subsequent to June 30, 2021, on July 12, 2021, the Company executed an option agreement with an arm's length private vendor to acquire up to a 100% interest in the Natlan Property located in northwest BC.

Under the terms of the option agreement, the Company can acquire a 100% interest in the Natlan Property over a five-year option period by paying to the vendor:

- \$25,000 (paid) and 100,000 common shares (issued) in its capital on the signing of the agreement;
- \$75,000 and 100,000 common shares in its capital on the first anniversary of the agreement;
- \$75,000 and 200,000 common shares in its capital on the second anniversary of the agreement;
- \$150,000 and 200,000 common shares in its capital on the third anniversary of the agreement;
- \$225,000 and 200,000 common shares in its capital on the fourth anniversary of the agreement; and
- \$450,000 and 200,000 common shares in its capital on the fifth anniversary of the agreement.

The Company is also required to incur exploration expenditures of \$150,000 by the first anniversary of the agreement and \$300,000 of cumulative expenditures by the second anniversary of the agreement. On exercise of the option, the Company will grant the optionor a 2% net smelter returns royalty on all minerals produced from the property, which the Company may purchase at any time for \$5,000,000 inflation adjusted from 2021.

(d) Timmins Property

On April 28, 2021, the Company executed an agreement with a private corporation for the sale of all its interest in the Timmins Property for proceeds of \$10. The purchaser assumed all liabilities associated with the property.



P2 GOLD INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

Expressed in Canadian dollars, except for share data

8. EXPLORATION AND EVALUATION EXPENDITURES (Continued)

(e) Exploration and evaluation expenditures – Nature of expense

The exploration and evaluation expenditures of the Company, by nature of expense, for the three and six months ended June 30, 2021 and 2020 were as follows:

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Acquisition costs	\$ 19,506,290	\$ 83,774	\$ 19,553,432	\$ 83,774
Helicopters	333,405	-	333,405	-
Consulting	105,531	2,300	255,406	52,300
Drilling	198,912	-	198,912	-
Camp costs	178,081	-	178,081	-
Geophysical and MMI surveys	137,760	5,970	137,760	5,970
Other exploration and evaluation expenditures	48,390	8,312	73,116	24,485
Assays	57,569	-	57,569	-
Assessment reports	30,026	14,355	39,531	14,355
Equipment rental	36,036	-	36,036	-
Technical reports	-	5,950	16,489	5,950
	\$ 20,632,000	\$ 120,661	\$ 20,879,737	\$ 186,834

9. INTEREST AND FINANCE EXPENSE

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Accretion of acquisition liabilities - Gabbs Project	\$ 88,073	\$ -	\$ 88,073	\$ -
Interest expense on leases	8,032	424	16,679	1,485
	\$ 96,105	\$ 424	\$ 104,752	\$ 1,485

10. SHARE CAPITAL AND OTHER RESERVES

(a) Share capital

At June 30, 2021, the authorized share capital of the Company consisted of an unlimited number of common shares without par value.

On June 11, 2021, the Company issued 200,000 common shares (\$100,000 in fair value) related to the option agreement for the Silver Reef Property.

**10. SHARE CAPITAL AND OTHER RESERVES (Continued)**

On June 4, 2021, the Company completed a non-brokered private placement of 2,917,170 flow-through units at a price of \$0.60 per unit for gross proceeds of \$1,750,302. Each unit consisted of one flow-through common share in the capital of the Company and one non-flow through common share purchase warrant. Each warrant entitles the holder to purchase one additional non-flow through common share in the capital of the Company at an exercise price of \$0.85 per common share for a period of two years from the date of issue. If after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than \$1.50 for a period of 10 consecutive trading days at any time prior to the expiry date, the Company will have the right to accelerate the expiry date of the warrants. Using the residual method, the warrants were valued at \$87,515. The Company bifurcated the remaining gross proceeds between share capital of \$1,371,070 and flow-through share premium of \$291,717. Total share issuance costs associated with the flow through private placement were \$82,746, including finder's fees of \$54,780.

On May 17, 2021, the Company completed a private placement of 11,898,060 units at a price of \$0.50 per unit for gross proceeds of \$5,949,030. Each unit consisted of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share in the capital of the Company at an exercise price of \$0.85 per common share for a period of two years from the date of issue. If after four months from the date of issue, the closing price of the common shares of the Company on the Exchange is equal to or greater than \$1.50 for a period of 10 consecutive trading days at any time prior to the expiry date, the Company will have the right to accelerate the expiry date of the warrants. Using the residual method, the warrants were valued at nil. Total share issuance costs associated with the private placement were \$227,742, including finder's fees of \$175,533 consisting of \$93,570 in cash and \$81,983 related to 187,140 brokers warrants issued.

On May 17, 2021, the Company issued 15,000,000 common shares (\$7,500,000 in fair value) related to the acquisition of the Gabbs Project (note 8).

(b) Share options

The following table summarizes the changes in share options for the six months ended June 30:

	2021		2020	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding, January 1,	2,660,000	\$ 0.48	800,000	\$ 0.53
Granted	1,920,000	0.51	785,000	0.33
Exercised	(20,834)	0.30	-	-
Forfeited	-	-	(68,750)	0.55
Expired	-	-	(56,250)	0.60
Outstanding, June 30,	4,559,166	\$ 0.49	1,460,000	\$ 0.42

For the options exercised during the period, the related weighted average share price at the time of exercise was \$0.49 (2020 – nil).

**10. SHARE CAPITAL AND OTHER RESERVES (Continued)**

The following table summarizes information about share options outstanding and exercisable at June 30, 2021:

Exercise prices	Share options outstanding		Share options exercisable	
	Number of share options outstanding	Weighted average years to expiry	Number of share options exercisable	Weighted average exercise price
\$0.26 - \$0.50	1,147,500	1.28	989,833	\$ 0.33
\$0.51 - \$0.75	3,411,666	1.70	1,691,547	0.57
	4,559,166	1.60	2,681,380	\$ 0.48

The total share-based compensation expense for the six months ended June 30, 2021 was \$569,253 (2020 – \$141,392) which was expensed in the statement of loss.

The following are the weighted average assumptions used to estimate the fair value of share options granted for the six months ended June 30, 2021 and 2020 using the Black-Scholes pricing model:

	For the six months ended	
	June 30, 2021	June 30, 2020
Expected life	2 years	2 years
Expected volatility	196.32%	215.64%
Risk-free interest rate	0.29%	0.29%
Expected dividend yield	Nil	Nil
Forfeiture rate	Nil	Nil

Option pricing models require the input of subjective assumptions including the expected price volatility and expected share option life. Changes in these assumptions would have a significant impact on the fair value calculation.

**10. SHARE CAPITAL AND OTHER RESERVES (Continued)****(c) Warrants**

The following table summarizes the changes in warrants for the six months ended June 30:

	2021		2020	
	Number of warrants	Warrant reserve	Number of warrants	Warrant reserve
Outstanding, January 1,	8,176,666	\$ 9,489	301,249	\$ 131,807
Transactions during the period:				
Warrants issued -				
private placement	11,898,060	-	-	-
Warrants issued - flow-through				
share private placement	2,917,170	87,515	-	-
Broker's warrants issued -				
private placement	187,140	81,983	-	-
Fair value adjustment				
for warrant issued - MOU	-	-	-	461
Outstanding, June 30,	23,179,036	\$ 178,987	301,249	\$ 132,268

At June 30, 2021, the weighted average exercise price for the outstanding warrants is \$0.80 (2020 - \$0.60).

Warrants issued in the flow-through share private placement were valued at \$87,515 using the residual method. Brokers warrants issued in the private placement were valued at \$81,983 using the Black Scholes pricing model. Key assumptions used to estimate the fair value of warrants granted included expected life of 2 years, expected volatility of 196.15%, risk-free interest rate of 0.31% and a forfeiture rate of nil.

11. RELATED PARTIES

Key management includes the Company's directors and officers including its President and Chief Executive Officer, its Chief Exploration Officer, its Executive Vice President and its Chief Financial Officer. It also includes the Company's former directors and officers.

Directors and key management compensation:

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Share-based compensation	\$ 387,823	\$ 129,150	\$ 522,929	\$ 129,150
Management and consulting fees	26,468	36,000	76,995	72,000
Salaries and benefits	8,638	-	8,638	-
	\$ 422,929	\$ 165,150	\$ 608,562	\$ 201,150



11. RELATED PARTIES (Continued)

As at June 30, 2021, accounts payable and accrued liabilities includes \$18,847 (December 31, 2020 - \$12,870) owed to two officers of the Company for reimbursement of transactions incurred in the normal course of business.

12. FINANCIAL RISK MANAGEMENT

The Company has exposure to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk from its use of financial instruments.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Company's cash flows or value of its financial instruments.

(i) Currency risk

The Company is subject to currency risk on financial instruments that are denominated in currencies that are not the same as the functional currency of the entity that holds them. Exchange gains and losses would impact the statement of loss.

The Company is exposed to currency risk through cash and cash equivalents and accounts payable and accrued liabilities held in the parent entity which are denominated in USD.

(ii) Interest rate risk

The Company is subject to interest rate risk with respect to its investments in cash and cash equivalents. The Company's current policy is to invest cash at floating rates of interest with cash reserves to be maintained in cash and cash equivalents in order to maintain liquidity. Fluctuations in interest rates when cash and cash equivalents mature impact interest and finance income earned.

(b) Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its financial assets including cash and cash equivalents and restricted cash.

The Company limits its exposure to credit risk on financial assets through investing its cash and cash equivalents and restricted cash with high-credit quality financial institutions. Management believes the risk of loss related to these deposits to be low.



12. FINANCIAL RISK MANAGEMENT (Continued)

(c) 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 manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities.

Refer to note 1b for further discussion regarding the Company's ability to continue as a going concern.

(d) Fair value estimation

The Company's financial assets and liabilities are initially measured and recognized according to a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market date.

The carrying values of cash and cash equivalents, receivables and other, restricted cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The carrying value of the acquisition liabilities for the Gabbs Project are considered to approximate their fair value.

13. COMMITMENTS

The following table provides the Company's gross contractual obligations as of June 30, 2021:

	1 year	2 -3 years	More than 3 years	Total
Acquisition liabilities -				
Gabbs Project	4,957,600	6,197,000	-	11,154,600
Lease obligations	135,756	209,500	-	345,256
Contractual commitments	9,000	-	-	9,000
	5,102,356	6,406,500	-	11,508,856