

**Interra Copper Corp.**

**(Formerly IMC International Mining Corp.)**

**Condensed Interim Consolidated Financial Statements**

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

(Unaudited - Expressed in Canadian dollars)

**Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2021.**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Interra Copper Corp. (formerly IMC International Mining Corp). (the "Company") have been prepared by and are the responsibility of management. These condensed interim consolidated financial statements for the three and six months ended June 30, 2021 have not been reviewed or audited by the Company's independent auditors.

August 27, 2021

**Interra Copper Corp. (formerly IMC International Mining Corp.)**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Unaudited - Expressed in Canadian dollars)

	Note	June 30, 2021	December 31, 2020
		\$	\$
<b>ASSETS</b>			
Current			
Cash		1,978,384	907,658
Accounts receivable		29,090	72,760
Prepaid expenses and deposits	5	1,177,208	182,729
GST/HST recoverable		6,820	-
		<b>3,191,502</b>	1,163,147
Reclamation bond		-	10,000
Exploration and evaluation assets	7	4,009,338	3,804,195
<b>Total assets</b>		<b>7,200,840</b>	4,977,342
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	9	145,706	13,914
<b>Total liabilities</b>		<b>145,706</b>	13,914
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	9,259,599	7,525,744
Reserve	8	2,501,047	1,204,937
Accumulated deficit		(4,705,512)	(3,767,253)
<b>Total equity</b>		<b>7,055,134</b>	4,963,428
<b>Total liabilities and shareholders' equity</b>		<b>7,200,840</b>	4,977,342

Nature of operations and going concern (Note 1, 2)  
Subsequent events (Note 13)

These unaudited condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 27, 2021.

Approved on behalf of the Board of Directors:

*"DW J. McAdam"*

Director

*"T. Greg Hawkins"*

Director

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

**Interra Copper Corp. (formerly IMC International Mining Corp.)**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Note	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
<b>OPERATING EXPENSES</b>					
Advertising and marketing		<b>81,373</b>	1,017,160	<b>252,367</b>	1,473,054
Management fees	9	<b>61,550</b>	37,139	<b>114,050</b>	74,139
Office		<b>26,891</b>	1,630	<b>33,694</b>	14,667
Investor relations		<b>20,010</b>	23,672	<b>32,010</b>	23,672
Filing fees		<b>18,953</b>	16,005	<b>42,052</b>	43,657
Professional fees		<b>17,060</b>	165,585	<b>54,806</b>	203,925
Director fees	9	<b>10,790</b>	-	<b>20,631</b>	-
Exploration and evaluation		<b>4,650</b>	-	<b>6,653</b>	-
Consulting		<b>4,000</b>	30,945	<b>4,000</b>	53,241
Travel		-	1,162	-	1,162
Share-based payments	8,9	<b>6,980</b>	-	<b>377,980</b>	-
<b>Total operating expenses</b>		<b>252,257</b>	1,293,298	<b>938,243</b>	1,887,517
<b>OTHER EXPENSES</b>					
Foreign exchange		<b>32</b>	4,122	<b>16</b>	19,247
<b>Loss and comprehensive loss for the period</b>		<b>252,289</b>	1,297,420	<b>938,259</b>	1,906,764
<b>Weighted average number of common shares outstanding</b>					
Basic and diluted		<b>68,994,802</b>	44,399,422	<b>63,766,567</b>	36,459,904
<b>Loss per share</b>					
Basic and diluted		<b>0.00</b>	0.03	<b>0.01</b>	0.05

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

**Interra Copper Corp. (formerly IMC International Mining Corp.)**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
(Unaudited - Expressed in Canadian dollars, except number of shares)

	Share capital		Reserve	Deficit	Total Equity
	Common shares	Amount			
	#	\$	\$	\$	\$
<b>Balance at December 31, 2019</b>	<b>27,205,392</b>	<b>1,016,820</b>	<b>290,250</b>	<b>(654,310)</b>	<b>652,760</b>
Warrants exercised	8,756,922	501,308	-	-	501,308
Options exercised	900,000	144,000	-	-	144,000
Flow through shares issued	400,000	192,000	-	-	192,000
Shares issued for private placement	6,430,324	2,286,220	-	-	2,286,220
Shares issued for Thane	5,463,158	2,076,000	-	-	2,076,000
Share issuance cost	-	(141,457)	-	-	(141,457)
Net loss for the period	-	-	-	(1,906,764)	(1,906,764)
<b>Balance at June 30, 2020</b>	<b>49,155,796</b>	<b>6,074,891</b>	<b>290,250</b>	<b>(2,561,074)</b>	<b>3,804,067</b>
Warrants exercised	5,720,000	286,000	-	-	286,000
Flow through shares issued	3,333,334	1,068,000	-	-	1,068,000
Shares issued for private placement	-	88,436	-	-	88,436
Shares issued for Thane	-	519,000	-	-	519,000
Share issuance cost	-	(510,583)	206,778	-	(303,805)
Share-based payments	-	-	707,909	-	707,909
Net loss for the period	-	-	-	(1,206,179)	(1,206,179)
<b>Balance at December 31, 2020</b>	<b>58,209,130</b>	<b>7,525,744</b>	<b>1,204,937</b>	<b>(3,767,253)</b>	<b>4,963,428</b>
Warrants exercised	1,200,000	60,000	-	-	60,000
Shares issued for private placement	6,178,033	614,769	311,936	-	926,705
Flow through shares issued	8,873,740	1,175,537	599,211	-	1,774,748
Share issuance costs	-	(116,451)	(59,471)	-	(175,922)
Broker warrants issued	-	-	66,454	-	66,454
Share-based payments, net of cancellations	-	-	377,980	-	377,980
Net loss for the period	-	-	-	(938,259)	(938,259)
<b>Balance at June 30, 2021</b>	<b>74,460,903</b>	<b>9,259,599</b>	<b>2,501,047</b>	<b>(4,705,512)</b>	<b>7,055,134</b>

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

**Interra Copper Corp. (formerly IMC International Mining Corp.)**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Unaudited - Expressed in Canadian dollars)

	Note	Six months ended June 30, 2021 \$	Six months ended June 30, 2020 \$
<b>Cash flows (used in) provided by:</b>			
<b>OPERATING ACTIVITIES:</b>			
Loss for the period		(938,259)	(1,906,764)
Item not affecting cash			
Share-based payments	8,9	377,980	-
Net changes in non-cash working capital items:			
Accounts receivable		43,670	(47,595)
Prepaid expenses		(43,697)	(256,414)
GST/HST recoverable		(9,410)	-
Accounts payable and accrued liabilities		(13,914)	91,250
<b>Net cash used in operating activities</b>		<b>(583,630)</b>	<b>(2,119,523)</b>
<b>INVESTING ACTIVITIES</b>			
Deposit for exploration services		(1,000,000)	-
Investment in exploration and evaluation assets	7	(7,629)	(2,132,429)
Reclamation bond		10,000	(10,000)
<b>Net cash used in investing activities</b>		<b>(997,629)</b>	<b>(2,142,429)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from private placements	8	2,701,453	5,058,070
Share issuance costs	8	(109,468)	-
Proceeds from promissory note		-	195,974
Proceeds from exercise of warrants	8	60,000	-
<b>Net cash provided by financing activities</b>		<b>2,651,985</b>	<b>5,254,044</b>
Change in cash		1,070,726	992,092
Cash, beginning of period		907,658	1,769
<b>Cash, end of the period</b>		<b>1,978,384</b>	<b>993,861</b>

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

**Interra Copper Corp. (formerly IMC International Mining Corp.)**

**Notes to the Condensed Interim Consolidated Financial Statements**

June 30, 2021, and 2020

(Unaudited - Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS**

Interra Copper Corp. (formerly IMC International Mining Corp.) (the “Company” or “Interra”) was incorporated under the laws of British Columbia on August 30, 2018, for the purposes of a plan of arrangement (the “Arrangement”) with Chemesis International Inc. (“Chemesis”).

On February 1, 2019, Chemesis transferred all of the issued and outstanding common shares of its wholly owned subsidiary, Canadian Mining of Arizona Inc. (“CMAI”), to Interra in exchange for 6,493,242 Interra common shares. Further, the Company granted 610,000 options at a weighted average exercise price of \$0.265 per option and 458,028 warrants at an exercise price of \$0.125.

After completion of the Arrangement, Interra owns 100% of CMAI along with the assets of the Bullard Pass Property. Interra intends to operate as a copper exploration and development company and will continue to advance its Bullard Pass Property and seek other mining assets.

On January 2, 2020, the Company split its shares on a 2:1 basis. All common shares, warrants and options in these condensed interim consolidated financial statements are stated post-split.

Interra’s registered and records office is Suite 2200, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. The Company is listed on the Canadian Securities Exchange (“CSE”) and trades under the symbol “IMCX”. On March 3, 2020, the common shares of the Company were also listed on the Frankfurt Stock Exchange under the symbol “3MX”. On February 26, 2021, the common shares of the Company were quoted on the OTCQB Marketplace under the symbol “IMIMF” in the United States.

**2. GOING CONCERN**

These unaudited condensed interim consolidated financial statements (the “interim financial statements”) have been prepared on the assumption that the Company 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 is not expected to continue operations for the foreseeable future.

As at June 30, 2021, the Company had working capital of \$3,045,796 (December 31, 2021 - \$1,149,233) and accumulated deficit of \$4,705,512 (December 31, 2021 - \$3,767,253). During the six months ended June 30, 2021, the Company incurred a net loss of \$938,259 (June 30, 2020 - \$1,906,764) and expects to incur further losses in the development of its business. To date the Company has not earned any revenue and is considered to be in the exploration stage. The Company’s operations are funded from equity financings which are dependent upon many external factors. Although management considers that the Company has adequate resources to maintain its core operations and planned exploration programs on its existing exploration and evaluation assets for the next twelve months, the Company recognizes it will be required to obtain additional financing beyond this period. While the Company has been successful in securing financings in the past there can be no assurance that it will be able to do so in the future.

There is material uncertainty about whether the Company will be able to obtain the required financing and complete or develop a business. This material uncertainty may cast significant doubt on the Company’s ability to continue as a going concern. These interim financial statements do not give effect to adjustments that would be necessary to reported carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

In 2020, the global outbreak of coronavirus (COVID-19) resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a potential material impact to the Company’s project exploration activities, cash flows and liquidity. Various restrictions on gatherings, work, and access to remote communities near the Company’s projects may also impact the Company’s ability to perform exploration activities at the projects.

**3. BASIS OF PRESENTATION**

**a) Statement of compliance**

These interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, and International Financial Reporting Standards (“IFRS”). These interim financial statements should be read in conjunction with the Company’s consolidated financial statements as at and for the year ended December 31, 2020, as some disclosures from the annual consolidated financial statements have been condensed or omitted.

**b) Basis of measurement**

These interim financial statements have been prepared on a historical cost basis except for those financial instruments which have been classified at fair value through profit or loss. In addition, except for cash flow information, these interim financial statements have been prepared using the accrual method of accounting. All dollar amounts presented are in Canadian dollars unless otherwise specified.

**c) Basis of consolidation**

These interim financial statements include the accounts of the Company and its wholly-owned subsidiaries (collectively, the “Company”). Subsidiaries are all entities over which the Company is able, directly, or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Subsidiaries are de-consolidated from the date that control by the Company ceases. Intercompany balances and transactions are eliminated upon consolidation. These interim financial statements incorporate the accounts of the Company and the following subsidiaries:

	<b>Country of incorporation</b>	<b>Holding</b>	<b>Functional currency</b>
Thane Minerals Inc.	Canada	100%	Canadian Dollar
Canadian Mining of Arizona Inc.	US	100%	Canadian Dollar

**d) Significant judgements, estimates & assumptions**

The preparation of the Company’s interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the interim financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

Critical accounting judgments

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management’s strategic planning. Should those judgments prove to be inaccurate, management’s continued use of the going concern assumption could be inappropriate.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:



### **3. BASIS OF PRESENTATION (CONTINUED)**

#### *Functional currency*

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

#### *Going concern*

The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

#### *Impairment of exploration and evaluation assets*

The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation assets. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely, and exploration and evaluation assets should be impaired.

#### *Completeness of reclamation liabilities*

Management determines the future costs the Company will incur to complete the rehabilitation work that is required to comply with existing laws, regulations, and agreements in place at each exploration site. Actual costs incurred may differ from those amounts estimated. Future changes to environmental laws and regulations could increase the extent of rehabilitation work required by the Company. Management determined at the date of the Statement of Financial Position that no material rehabilitation provisions were required under IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*.

#### Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

#### *Share-based payments*

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

#### *Income taxes*

The provision for income taxes and composition of income tax assets and liabilities require management's judgment. The application of income tax legislation also requires judgment in order to interpret legislation and apply those findings to the Company's transactions.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

With the exception for the recently adopted accounting policies below, these condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the year ended December 31, 2020.

##### **a) Exploration and evaluation assets**

###### **(i) Pre-license costs**

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

###### **(ii) Exploration and evaluation costs**

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes, on a property by property basis, the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold, or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not depreciated during the exploration and evaluation stage.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

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, non-compliance with regulatory requirements or title may be affected by undetected defects.

##### **b) Decommissioning and restoration**

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual, or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by another-than temporary removal from service, including sale of the asset, abandonment, or disposal in some other manner.

The fair value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depreciated on either the unit-of-production basis or the straight-line basis, as appropriate.

The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at June 30, 2021, and December 31, 2020, the Company has determined that it does not have any decommissioning and restoration obligations related to current or former operations.

**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Impairment of exploration and evaluation assets**

Management reviews the carrying values of its exploration and evaluation assets on an annual basis, or when an impairment indicator exists, to determine whether an impairment should be recognized. In making its assessment, management considers, among other things, exploration results to date and future exploration plans for a particular property. In addition, acquisition costs related to relinquished property rights are written off in the period of relinquishment. Capitalized acquisition costs in respect of the Company's exploration and evaluation assets may not be recoverable and there is a risk that these costs may be written down in future periods. Impairment is charged through profit and loss.

The recoverability of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**d) Upcoming standards**

There are no upcoming standards that will have a material impact on the Company's interim financial statements.

**5. PREPAID EXPENSES AND DEPOSITS**

	<b>June 30, 2021</b>	December 31, 2020
	\$	\$
Prepaid deposits for CME Consultants Inc. <sup>1</sup>	<b>945,602</b>	-
Prepaid advertising and marketing services	<b>227,606</b>	182,729
Other deposits	<b>4,000</b>	-
	<b>1,177,208</b>	182,729

<sup>1</sup> During the six months ended June 30, 2021, the Company advanced \$1,000,000 in prepaid deposits to CME Consultants for its 2021 exploration program.

**6. ACQUISITION OF THANE MINERALS INC.**

On March 31, 2020, the Company completed its acquisition of Thane Minerals Inc. ("Thane"), which holds a 100% interest in the Thane property (the "Thane Property"), located in north-central British Columbia.

As consideration for the acquisition of 100% of the issued and outstanding Thane common shares, Interra agreed to issue to the current shareholders of Thane (the "Vendors") an aggregate \$2,500,000 common shares in the capital of the Company at a fair market value of \$0.475 per common share, representing 5,263,158 shares. The purchased shares are escrowed and released over a 36-month period (the "Purchased Shares").

The Company also issued 200,000 common shares at a fair market value of \$0.475 to a finder as compensation in connection with the transaction.

In addition to the foregoing, if through additional exploration programs, a resource calculation of at least 800,000,000lbs of copper-equivalent is determined by a National Instrument 43-101 compliant resource estimate to be indicated within the Thane Property project area, then the Company will issue an additional aggregate of \$2,000,000 worth of common shares (or cash in lieu) to the Vendors.

**Interra Copper Corp. (formerly IMC International Mining Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
June 30, 2021, and 2020  
(Unaudited - Expressed in Canadian Dollars)

**6. ACQUISITION OF THANE MINERALS INC. (CONTINUED)**

This transaction was accounted for as an asset acquisition in line with IFRS 3. The value of the shares issued over the value of Thane's shares was attributed to exploration and evaluation assets.

	\$
Cost of acquisition	
5,463,158 common shares at a fair value of \$0.475 per share	2,595,000
Share issuance costs	93,865
<b>Total cost of acquisition</b>	<b>2,688,865</b>
Fair value of net assets acquired	
Cash	589
Receivables	7,198
Reclamation bond	10,000
Exploration and evaluation assets	2,674,728
<b>Total assets</b>	<b>2,692,515</b>
Current liabilities	(3,650)
<b>Net assets acquired</b>	<b>2,688,865</b>

On February 8, 2021, the Company entered into a non-binding letter of intent to acquire an unproven mineral interest from two directors. The Company anticipates the purchase price will be \$50,000 and a 1% net smelter return royalty. The proposed acquisition is subject to negotiation of a definitive agreement and satisfaction or waiver of other conditions. As at June 30, 2021, the non-binding letter of intent is still open, and has not yet been ratified into a definitive agreement.

On May 25, 2021, the Company engaged CME Consultants Inc. to manage and supervise the 2021 exploration program for the Thane Property. The projected costs of \$2,400,000, agreed to 2021 budget.

**7. EXPLORATION AND EVALUATION ASSETS**

	As at June 30, 2021		As December 31, 2020	
	Bullard Pass	Thane Project	Bullard Pass	Thane Project
	\$	\$	\$	\$
Acquisition cost	74,435	2,674,728	74,435	2,674,728
Deferred exploration costs	243,161	1,017,014	243,161	811,871
<b>Total</b>	<b>317,596</b>	<b>3,691,742</b>	317,596	3,486,599

a) Bullard Pass Project

The Company has 171 mineral claims in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona, United States. On February 1, 2019, the Company completed the spin out transaction to acquire the mineral property claims described above.

b) Thane Project

The Thane Property (see Note 6) comprises 50,904 acres of contiguous claims located in the Quesnel Terrane of north-central British Columbia. The northern part of the Quesnel Terrane extends from south of the Mt. Milligan Mine northward to the Kemess Mine, with the Thane Property located midway between these two copper-gold porphyry deposits. This property includes several highly prospective mineralized areas identified to date, including the "Cathedral Area" on which the Company's exploration is currently focused.

**Interra Copper Corp. (formerly IMC International Mining Corp.)**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
June 30, 2021, and 2020  
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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

	<b>Bullard Pass</b>	<b>Thane Project</b>	<b>Total</b>
	\$	\$	\$
<b>Balance at December 31, 2019</b>	<b>266,165</b>	<b>-</b>	<b>266,165</b>
Exploration costs			
Prospecting	13,923	811,871	825,794
Acquisition costs			
Claim registration	37,508	-	37,508
Acquisition of Thane	-	2,674,728	2,674,728
<b>Balance at December 31, 2020</b>	<b>317,596</b>	<b>3,486,599</b>	<b>3,804,195</b>
Exploration costs			
Camp and site preparation costs	-	205,143	205,143
<b>Balance at June 30, 2021</b>	<b>317,596</b>	<b>3,691,742</b>	<b>4,009,338</b>

**8. EQUITY**

**a) Authorized share capital**

The authorized share capital of the Company consists of unlimited common shares with no par value.

**b) Shares issued**

During the six months ended June 30, 2021, the Company had the following share transactions:

- i) On April 16, 2021, the Company closed the first tranche of a non-brokered private placement financing comprising 6,486,870 flow-through units ("FT Units") at a price of \$0.20 per FT Unit for gross proceeds of \$1,297,374, and 835,000 standard equity units ("Units") at a price of \$0.15 per Unit for gross proceeds of \$125,250.
- ii) On May 18, 2021, the Company closed the second tranche of the non-brokered private placement financing comprising 2,386,870 FT Units at a price of \$0.20 per FT Unit for gross proceeds of \$477,374, and 5,176,366 Units at a price of \$0.15 per Unit for gross proceeds of \$776,455.
- iii) On May 28, 2021, the Company closed the third and final tranche of the non-brokered private placement financing comprising 166,667 Units at \$0.15 per Unit for gross proceeds of \$25,000.

A total of \$1,175,537 of the gross proceeds from the FT Units was allocated on a proportionate basis to share capital and \$599,211 was allocated to warrant reserve. A total of \$614,769 of the gross proceeds from the Units was allocated on a proportionate basis to share capital and \$311,936 was allocated to warrant reserve. Net proceeds from the issuance of the Units will be used for working capital purposes. The gross proceeds raised from the issuance of the FT Units will be used by the Company to fund expenditures at the Thane Project that qualify as "Canadian Exploration Expenses" ("CEE") and "flow-through mining expenditures", as those terms are defined in the Income Tax Act (Canada).

Pursuant to the FT Unit and Unit financings, the Company incurred \$175,922 of share issuance costs including \$66,454 fair value for 554,778 broker warrants exercisable at \$0.20 with a two year term (see Warrants below), of which \$116,451 of the fair value was allocated on a proportionate basis to share capital and \$59,471 was allocated to warrant reserve.

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**8. EQUITY (CONTINUED)**

Each FT Unit consists of one common share in the capital of the Company that qualifies as a 'flow-through share' for the purposes of the Income Tax Act (Canada) and one non-flow-through common share purchase warrant exercisable at \$0.30 for 24 months from the date of issuance into a common share in the capital of the Company. Each Unit consists of one common share and one warrant exercisable at \$0.30 for 24 months from the date of issuance into a common share.

- iii) During the six months ended June 30, 2021, the Company issued 1,200,000 common shares on the exercise of 1,200,000 warrants for gross proceeds of \$60,000.

During the year ended December 31, 2020, the Company had the following share transactions:

- i) On February 24, 2020, the Company issued 3,110,000 units at a price of \$0.25 per unit for total proceeds of \$777,500. Each unit consists of one common share and one common share purchase warrant entitling the holder to acquire one additional common share of the Company at a price of \$0.40 for a period of two years. In addition, 87,000 finder's warrants were issued at the same terms, cash finders' fees of \$21,750 were paid.
- ii) On April 16, 2020, the Company entered into a 24 month draw down equity financing facility (the 'Investment Agreement') of up to \$8,000,000 with Alumina Partners (Ontario) Ltd. ('Alumina'), an affiliate of Alumina Partners LLC, a New York based private equity firm, for the purpose of continuing its growth strategy through exploration and acquisition. The Investment Agreement details the purchase of up to \$8,000,000 of the Company's units, each unit consisting of one common share and one common share purchase warrant, at discounts ranging between 15% to 25% of the market price of the common shares. The financing is at the mutual consent of the Company and Alumina, throughout the 24-month term of the Investment Agreement. The exercise price of the purchase warrants will be at a 50% premium over the market price of the common shares with a 60 month term from the date of closing. There are no upfront fees or interest associated with the use of the use of the draw down facility. There has been no draw down to date.
- iii) On May 14, 2020, the Company closed a brokered private placement financing (the "Offering") consisting of units and flow-through shares as led by Gravitass Securities Inc. for total gross proceeds of \$1,768,720. The private placements consists of:
- a. 3,143,166 units of the Company at a price of \$0.48 per unit for gross proceeds of \$1,508,720; and
  - b. 400,000 common shares issued on a flow-through basis at a price of \$0.65 per flow-through share for gross proceeds of \$260,000 (the "Flow-Through Offering").
  - c. 177,158 shares were issued as compensation.

Each unit consists 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 of the Company at an exercise price of \$0.60 for a period of two years from the date of issuance. The warrants and the broker warrants are subject to accelerated expiry if the volume weighted average closing price of the common shares on the CSE is equal to or greater than \$0.88 for a period of ten consecutive trading days, in which case the Company will have the option, but not the obligation, to accelerate the expiry to 20 days from the date.

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**8. EQUITY (CONTINUED)**

In connection with the Offering, the Company paid the agent a cash fee of \$141,498. Additionally, the Company issued 251,453 broker unit warrants to the agents. Each broker unit warrant entitles the holder to acquire one unit at any time for a period of two years from the date of issuance at an exercise price of \$0.48 per broker unit warrant. Each broker unit consists of one common share and one share purchase warrant exercisable into an additional common share at an exercise price of \$0.60 per share for a period of two years.

The Company also issued 32,000 broker flow-through warrants to the agents. Each broker flow-through warrant entitles the holder to acquire one common share of the Company at any time for a period of two years from the date of issuance at an exercise price of \$0.70 per common share. The Company also paid the agents a corporate finance fee paid by the issuance of 20,000 common shares and 157,158 broker warrants at an exercise price of \$0.60 per common share for a period of two years.

- iv) On July 17, 2020, the Company announced it had completed its non-brokered flow-through private placement offering previously announced on June 26, 2020, issuing an aggregate of 3,333,334 flow-through units of the Company at a price of \$0.30 per flow-through unit for gross proceeds of \$1,000,000. Each flow-through unit will be comprised of one common share of the Company that qualifies as a “flow-through share” for the purposes of the Income Tax Act (Canada) and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”). Each Warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.40 at any time prior to the date that is twenty-four (24) months following the closing date of the offering.

**c) Warrants**

On April 18, 2021, the remainder of the \$0.05 warrants, being 1,500,000 expired without exercise. As of June 30, 2021, the following warrants were outstanding:

	Warrants	Weighted average exercise price
	#	\$
<b>December 31, 2019</b>	<b>20,646,150</b>	<b>0.05</b>
Exercised	(14,476,922)	0.06
Issued	8,296,152	0.30
<b>December 31, 2020</b>	<b>14,465,380</b>	<b>0.33</b>
Exercised	(1,200,000)	0.05
Issued	15,606,551	0.30
Expired	(1,500,000)	0.05
<b>June 30, 2021</b>	<b>27,371,931</b>	<b>0.34</b>

Expiry Date	Warrants	Exercise Price	Remaining Life
	#	\$	
October 15, 2021	3,469,228	0.16	0.29
February 21, 2022	3,197,000	0.40	0.65
May 13, 2022	3,300,324	0.60	0.87
May 13, 2022	32,000	0.70	0.87
July 22, 2022	1,766,828	0.40	1.06
April 16, 2023	7,321,870	0.30	1.79
April 16, 2023	398,781	0.20	1.79
May 19, 2023	144,331	0.20	1.88
May 19, 2023	7,563,236	0.30	1.88
May 28, 2023	11,666	0.20	1.91
May 28, 2023	166,667	0.30	1.91
<b>June 30, 2021</b>	<b>27,371,931</b>	<b>0.34</b>	<b>1.34</b>

## **8. EQUITY (CONTINUED)**

### **d) Unit Warrants**

On May 13, 2020 the Company issued 251,453 broker unit warrants (the “Unit Warrants”) Each Unit Warrant is exercisable at \$0.48 for a period of two years, and when exercised converts into one common share and one common share purchase warrant exercisable at \$0.60 for a period of two years from the date of issuance.

### **e) Options**

The Company has adopted an equity incentive plan (the “Plan”) whereby up to 20% of the outstanding shares of the Company as of the date of grant have been reserved for the grant and issuance to its employees, officers, directors, and consultants. Awards that may be granted under the Plan to eligible persons include stock options, restricted share rights and deferred share units. With respect to stock options, the exercise price of any stock option may not be set at less than the minimum price permitted by the CSE. The aggregate number of options granted to any one individual during any 12-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives.

Stock options are exercisable for a period of five years from the date of granting or such greater (maximum 10 years) or lesser period as determined by the board of directors of the Company (the “Board”). The Board also determines vesting of stock options; however, stock options granted to any person engaged in investor relations activities will vest over a period of not less than 12 months with no more than 25% of the stock options vesting in any three-month period.

On July 3, 2020, the Company granted 4,150,000 stock options with an exercise price of \$0.30 and expiration date of July 3, 2025, to consultants. A total of 1,037,500 of these stock options vested immediately and the remainder vest over 24 months.

On November 9, 2020, the Company granted 1,000,000 fully-vested stock options with an exercise price of \$0.19 and expiration date of November 9, 2025 to officers and/or directors of the Company.

On January 5, 2021, the Company granted 2,100,000 stock options with an exercise price of \$0.25 and expiration date of January 5, 2026, to consultants and a director of the Company. These stock options vest over a period of 18 months.

On January 14, 2021, the Company announced it has appointed Freeform Communications Inc. (“Freeform”) to provide investor relations and on-line marketing services. Under the terms of the agreement, Freeform has been engaged for a 6-month term at \$4,000 per month. The Company also granted to Freeform 250,000 stock options that vest over a period of 18 months with an exercise price of \$0.25 and an expiration date of January 12, 2023.

On March 1, 2021, the Company granted 400,000 stock options that vest over a period of 18 months with an exercise price of \$0.25 and an expiration date of March 1, 2024, to a consultant.

During the three and six months ended June 30, 2021, the Company recorded \$377,980 and \$6,980, respectively of share-based payment expense related to stock options granted by the Company (three and six months ended June 30, 2020 – \$nil and \$nil, respectively).



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**8. EQUITY (CONTINUED)**

The fair value of stock options granted has been estimated using the Black-Scholes pricing model with the following weighted average assumptions:

	Mar 1, 2021	Jan 14, 2021	Jan 5, 2021
Strike price	\$0.25	\$0.25	\$0.25
Risk free interest rate	0.2%	0.19%	0.18%
Expected option life (years)	3 years	2 years	5 years
Annualized volatility	110%	110%	110%
Dividend payments during life of option	Nil	Nil	Nil
Expected forfeiture rate	Nil	Nil	Nil

  

	Nov 9, 2020	July 3, 2020	2019
Strike price	\$0.19	\$0.30	\$0.32
Risk free interest rate	0.27%	0.5%	1.34%
Expected option life (years)	5 years	5 years	5 years
Annualized volatility	110%	110%	110%
Dividend payments during life of option	Nil	Nil	Nil
Expected forfeiture rate	Nil	Nil	Nil

As at June 30, 2021, 7,785,000 options were outstanding (December 31, 2020 – 6,235,000) and had a weighted average remaining life of 3.92 (December 31, 2020 – 4.32 years). The following stock options are issued under the stock option plan:

	Options #	Weighted average exercise price \$
<b>Balance, December 31, 2019</b>	<b>2,895,000</b>	<b>0.26</b>
Options granted	5,150,000	0.25
Options expired/ cancelled	(1,810,000)	0.24
<b>Balance, December 31, 2020</b>	<b>6,235,000</b>	<b>0.26</b>
Options granted	2,750,000	0.25
Options expired/ cancelled	(1,450,000)	0.24
<b>Balance, June 30, 2021</b>	<b>7,535,000</b>	<b>0.26</b>

Expiry date	Options outstanding #	Options exercisable #	Exercise price \$	Remaining contractual life (years)
June 9, 2022	15,000	15,000	0.25	0.94
January 12, 2023	250,000	62,500	0.25	1.54
July 22, 2023	170,000	170,000	0.50	2.06
March 1, 2024	400,000	100,000	0.25	2.67
September 24, 2024	650,000	650,000	0.16	3.24
July 3, 2025	3,300,000	2,225,000	0.30	4.01
November 9, 2025	950,000	500,000	0.19	4.36
January 5, 2026	1,800,000	525,000	0.25	4.52
<b>Outstanding and exercisable</b>	<b>7,535,000</b>	<b>4,247,500</b>	<b>0.26</b>	<b>3.92</b>

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**9. RELATED PARTY DISCLOSURES**

Key management personnel are the directors and officers of the Company. Management compensation transactions for the six months ended June 30, 2021, and 2020 are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
			\$	\$
Management fees	<b>61,550</b>	37,139	<b>114,050</b>	74,139
Directors' fees	<b>13,067</b>	-	<b>20,631</b>	-
Share-based payments	<b>6,890</b>	-	<b>377,980</b>	-
Exploration expenditures	<b>195,031</b>	-	<b>204,549</b>	-
<b>Total</b>	<b>276,628</b>	37,139	<b>717,210</b>	74,139

CEO - During the three and six months ended June 30, 2021, \$27,000 and \$54,000, respectively (three and six months ended June 30, 2020 - \$24,000 and \$48,000, respectively), was paid to a company controlled by an officer of the Company for CEO-related services.

COO - During the three and six months ended June 30, 2021, \$201,081 and \$216,599, respectively (three and six months ended June 30, 2020 - \$nil and \$nil, respectively), was paid to and/or accrued for services by companies controlled by an officer of the Company for COO-related services and exploration services.

CFO - During three and six months ended June 30, 2021, \$10,500 and \$21,000, respectively (three and six months ended June 30, 2020 - \$10,155 and \$23,155, respectively), was paid to an officer, or a company controlled by an officer of the Company for CFO-related services provided.

Corporate Secretary - During the three and six months ended June 30, 2021, \$18,000 and \$27,000, respectively three and six months ended June 30, 2020 - \$2,984 and \$2,984, respectively), was paid to a company controlled by an officer of the Company for corporate secretarial-related services provided.

As at June 30, 2021, there was \$143,224 included in accounts payable and accrued liabilities for amounts due to a related party.

**10. MANAGEMENT OF CAPITAL**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The management of the capital structure is based on the funds available to the Company to support the acquisition, exploration, and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. To maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, issue debt instruments or return capital to its shareholders. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets.

**11. RISK MANAGEMENT**

**Financial risk management**

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

## **11. RISK MANAGEMENT (CONTINUED)**

### *Capital risk*

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of share capital.

### *Credit risk*

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low.

### *Liquidity risk*

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at the period ended June 30, 2021, the Company's working capital is \$3,045,796 (2020 - \$1,149,233), and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at the period ended June 30, 2021, the Company has cash of \$1,978,384, GST/HST recoverable of \$6,820, and accounts payable and accrued liabilities of \$145,706.

### *Market risk*

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

### **Fair value of financial instruments**

As at June 30, 2021, and December 31, 2020, the Company's financial instruments consist of cash, prepaid expenses and acquisition deposits, sales tax receivable, restricted cash and accounts payable and accrued liabilities. Cash, sales tax receivable and restricted cash are measured at amortized cost. Accounts payable and accrued liabilities are measured at amortized cost.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of hierarchy are:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

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

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Cash is measured at fair value using level 1 inputs. The carrying value of accounts payable approximates its fair values due to its short-term to maturity. Assets and liabilities are classified on the lowest level of input that is significant to the fair value measurement.

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**12. FLOW-THROUGH SHARES**

The Company entered into flow-through share subscription agreements on May 14, 2020, and July 17, 2020 (note 8.2) whereby it is committed to incur on or before December 31, 2021, a total of \$1,260,000 of qualifying Canadian exploration expenditures. The value of the flow-through units in excess of the quoted market value of shares on the date of issuance and the fair value of share purchase warrants issued was not set up as a liability at the time these shares were issued.

Funds raised through the issuance of flow-through shares are required to be expended on qualifying Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

As at December 31, 2020, the Company has incurred qualifying expenditures of \$811,871 with respect to exploration activities at the Thane Property, with a remaining commitment of \$448,129 to be incurred by December 31, 2021. For the six month period through June 30, 2021, \$205,143 qualifying expenditures have been incurred with the balance of the remaining commitment expected to be incurred over the balance of the year.

In May 2021, the Company renounced \$1,260,000 of qualifying exploration expenditures to the shareholders with an effective date of December 31, 2020.

**13. SUBSEQUENT EVENTS**

On July 6, 2021, Oliver Foeste was appointed Chief Financial Officer of the Company, filling the vacancy created by the resignation of Jamie Lewin as Chief Financial Officer.

On July 6, 2021 and July 28, 2021, the Company granted an aggregate of 2,400,000 stock options to directors and officers of the Company. These stock options have an exercise price of \$0.22, a five-year life, and vest over a period of 18 months with 25% vested upon the date of grant and 25% vest every six months thereafter until fully vested.

On July 28, 2021, Gordon Neal was appointed a director of the Company.

On August 11, 2021, Jason Nickel was appointed Chief Executive Officer of the Company, replacing Dave McMillan, who had been serving as Interim Chief Executive Officer. Dave McMillan will continue to serve the Company as a director.