HANNA CAPITAL CORP.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Hanna Capital Corp.

Opinion

We have audited the accompanying consolidated financial statements of Hanna Capital Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has not earned significant revenue, has an accumulated deficit of $10,077,666 and had a working capital deficit of $847,695. The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations.. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on 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. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

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

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 auditor's report is Catherine Tai.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Professional Accountants

October 28, 2020

HANNA CAPITAL CORP
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT JUNE 30,

		2020		2019
ASSETS				
Current assets				
Cash	**$**	**89,087**	$	353
Amounts receivable *(Note 5)*		**79,879**		58,340
		168,966		58,693
Reclamation bond		**5,000**		5,000
Note receivable *(Note 6)*		**1**		1
Due from related parties *(Note 12)*		**38,997**		17,018
Exploration and evaluation assets *(Note 7)*		**1,037,634**		1,211,406
TOTAL ASSETS	**$**	**1,250,598**	$	1,292,118
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (*Note 8)*	**$**	**692,110**	$	900,140
Loan payable *(Note 14)*		**324,551**		-
TOTAL LIABILITIES		**1,016,661**		900,140
SHAREHOLDES' EQUITY				
Share capital *(Note 9)*		**8,641,245**		8,641,245
Reserves		**1,530,115**		1,530,115
Subscription received in advance *(Note 9)*		**140,243**		-
Accumulated deficit		**(10,077,666)**		(9,779,382)
		233,937		391,978
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**1,250,598**	$	1,292,118

Nature of operations and going concern *(Note 1)*
Subsequent events *(Note 16)*

On behalf of the Board:

"Vern Bock" Director

"Herbert Brugh" Director

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

HANNA CAPITAL CORP
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEAR ENDED JUNE 30,

		2020		2019
OPERATING EXPENSES				
Accounting and audit fee	$	31,743	$	14,029
Investor relations		1,719		1,762
Legal fees		1,308		5,000
Office and administration		134,780		66,327
Consulting fees		20,000		152,789
Management fees		-		120,000
Rent		15,146		24,000
Interest and penalties		5,858		-
LOSS FOR THE YEAR	$	(210,554)	$	(383,907)
Write-off of exploration and evaluation assets *(Note 7)*		198,000		-
Gain on extinguishment of accounts payable and accruals		(110,270)		-
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(298,284)		(383,907)
Basic and diluted loss per common share	$	(0.01)	$	(0.01)
Weighted average number of common shares outstanding - Basic and diluted		33,032,853		32,894,398

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

HANNA CAPITAL CORP

CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED JUNE 30,

	2020	2019
Operating activities		
Net loss for the year	$ (298,284)	$ (383,907)
Items not involving cash:		
Gain on extinguishment of accounts payable	(110,270)	-
Write-down of exploration and evaluation of assets	198,000	-
Change in non-cash working capital:		
Amounts receivables	(21,539)	(24,325)
Accounts payable and accrued liabilities	(97,760)	228,145
Due to related parties	(21,979)	-
Net cash used in operating activities	(351,832)	(180,087)
Investing activities		
Expenditures on exploration and evaluation assets	(24,228)	(19,800)
Net cash used in investing activities	(24,228)	(19,800)
Financing activities		
Advances (to)/from related party	-	87,723
Proceeds from the issuance of share capital	-	31,400
Proceeds from loans received	324,551	-
Proceeds from warrants exercised	-	29,960
Proceeds from subscription received in advance	140,243	-
Net cash provided by financing activities	464,794	149,083
Net change in cash during the year	88,734	(50,804)
Cash – beginning of year	353	51,157
Cash – end of year	$ 89,087	$ 353

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

HANNA CAPITAL CORP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Shares		Share Capital		Reserve	Subscription received in advance		Deficit		Total
Balance at June 30, 2018	32,176,853	$	8,579,885	$	1,530,115	-	$	(9,395,475)	$	714,525
Shares issued for private placements	428,000		31,400		-	-		-		31,400
Warrants exercised	428,000		29,960		-	-		-		29,960
Net loss for the year	-		-		-	-		(383,907)		(383,907)
Balance at June 30, 2019	33,032,853		8,641,245		1,530,115	-		(9,779,382)		391,978
Subscription received in advance	-		-		-	140,243		-		140,243
Net loss for the year	-		-		-	-		(298,284)		(298,284)
Balance at June 30, 2020	33,032,853	$	8,641,245	$	1,530,115	$ 140,243	$	(10,077,666)	$	233,937

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Hanna Capital Corp. (the “Company”) was incorporated under the laws of the State of Nevada on June 1, 2004 under the name of “Assal Metallo, Inc.”. On June 20, 2007, the Company was continued under the laws of the Province of Alberta and on July 19, 2007, it was continued under the laws of the Province of Ontario, at which time the name was changed to Nitinat Minerals Corporation pursuant to Articles of Continuance dated June 22, 2007. On October 17, 2019, the Company changed its name to Hanna Capital Corp. The primary office of the Company is located at 1800-130 King Street West, Toronto, ON, M5X 1E3. The Company’s shares are traded on the TSX Venture Exchange (“TSXV”) under the stock symbol HCC.

These consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned significant revenue and has an accumulated deficit of $10,077,666. The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management will pursue funding initiatives if, as and when required to meet the Company's requirements on an ongoing basis. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

As at June 30, 2020, the Company had a working capital deficit of $847,695. As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its exploration and evaluation costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful exploration and evaluation of the property. The Company has financed its activities through the issuance of equity securities and debt financing. The Company expects to use similar financing techniques in the future and is pursuing such additional sources of financing as estimated to be required to sufficiently support its operations until such time that its operations become self-sustaining. To date, the Company has not earned any revenues. These material uncertainties may cast significant doubt on the Company’s ability to continue as a going concern.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of International Financial Reporting Interpretations Committee (“IFRIC”).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries. In addition, these

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The policies applied in the consolidated financial statements are presented below and are based on IFRS' issued and outstanding as of October 28, 2020 the date the Board of Directors approved the consolidated financial statements.

Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary, Taman Petroleum Corporation ("Taman") which is inactive. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Subsidiaries are those entities which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

New accounting standards adopted:

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets.

The Company adopted this standard effective July 1, 2019 and it did not have any material impacts on the consolidated financial statements upon adopting the standard.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) 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 are, but are not limited to, the following:

<u>The carrying value and the recoverability of exploration and evaluation assets</u> - Management has determined that exploration and evaluation costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

Share-based compensation - The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Changes in the input assumptions can materially affect the fair value estimate of stock options.

Recovery of deferred tax assets - Judgment is required in determining whether deferred tax assets are recognized in the consolidated statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and 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 the net deferred tax assets recorded at the date of the consolidated statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(ii) Critical accounting judgments

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

Determination of functional currency - In accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates” management determined that the functional currency of the parent Company as well as the Company’s subsidiaries is the Canadian dollar.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard (“IAS”) 21, The Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Earnings (loss) per share (“EPS”)

The Company presents basic and diluted earnings (loss) per share data for its common shares, calculated by dividing the earnings (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized exploration and evaluation costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as gain on option agreement in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is an indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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.

Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period.

Share-based compensation

The Company grants share purchase options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by an employee.

The fair value of share purchase options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of share purchase options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or service received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded as share-based payment reserve.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (loss). The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Cash and receivables are measured at amortized cost with subsequent impairments recognized in profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Amounts payable and accrued liabilities and loans payable are classified and measured at amortized cost on the statement of financial position.

3. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, and exploration of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company's capital structure to primarily consist of the components of shareholders' equity.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

3. CAPITAL RISK MANAGEMENT (continued)

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended June 30, 2020.

4. FINANCIAL RISK MANAGEMENT

Financial risk

The Company's financial instruments consist of cash, amounts receivable, reclamation bond, note receivable, due from related parties, and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks and that the carrying values of these financial instruments approximate their fair values.

(i) Liquidity risk
Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company’s liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities.

As at June 30, 2020, the Company had a working capital deficit of $847,695 (June 30, 2019 - working capital deficit of $841,447). The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(ii) Credit risk
Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligation. The Company's credit risk is primarily attributable to cash, amounts receivable, and due from related parties. The Company’s cash is held with a major Canadian based financial institution, from which management believes the risk of loss to be minimal.

(iii) Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(iv) Interest rate risk
The Company has cash balances and no interest-bearing debt as at June 30, 2020. The Company's current policy is to invest excess cash in high yield savings accounts and guaranteed investment certificates issued by Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(v) Foreign currency risk
The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(vi) Commodity and equity price risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, and the stock market to determine the appropriate course of action to be taken by the Company.

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4. FINANCIAL RISK MANAGEMENT (continued)

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of current and future exploration and development depend upon the world market price of precious and base metals. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

5. AMOUNTS RECEIVABLE

		June 30, 2020		June 30, 2019
Harmonized sales tax recoverable	**$**	**79,879**	$	58,340

6. NOTE RECEIVABLE

During the year ended June 30, 2013, the Company acquired its subsidiary, Taman Petroleum Corporation ("Taman"). Taman has an 8% interest in a Russian private company, Techniton LLC ("Techniton"). Techniton has a 100% interest in the South Temryuk Oil & Gas Exploration-Exploitation Licence located in the mature Azov-Kuban petroleum region of southwest Russia. During the year ended June 30, 2013, the Company wrote-down its investment in Techniton to $nil.

During the year ended June 30, 2014, the Company loaned Techniton $300,000, proceeds from the private placement completed during that year.

As at June 30, 2014, the Company decided to write-down the note receivable from Techniton to $1 based on uncertainty of collection.

7. EXPLORATION AND EVALUATION ASSETS

Title to mineral property of interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest in are located in Canada.

		Jasper Property		Carscallen Property		Total
Balance, June 30, 2018	$	723,106	$	468,500	$	1,191,606
Data analysis		-		19,800		19,800
Balance, June 30, 2019		723,106		488,300		1,211,406
Data analysis		19,228		-		19,228
Survey and assessment		-		5,000		5,000
Write-off		-		(198,000)		(198,000)
Balance, June 30, 2020	$	742,334	$	295,300	$	1,037,634

Carscallen Property, Ontario

In October 2016, the Company signed an assignment agreement (the "Agreement") with Silk Energy Limited formerly Inspiration Mining Corp ("Silk") to acquire a 100% interest in certain mining claims west of the City of

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Timmins known as the Carscallen Property (the "Property"). Pursuant to the terms and conditions of the Agreement, the Company will earn the 100% interest by:

- Cash payment of $40,000 on execution of this agreement (paid);
- Share payment of 2,200,000 common shares of the Company (issued with a value of $193,500);
- Cash payment of $20,000 on October 19, 2017 (paid); and
- Cash payment of $40,000 on October 19, 2018 (paid).

The acquisition of the Property is subject to underlying conditions:

- In the event that the Company is able to obtain an intersection of at least 3 grams of gold per ton over one meter, the Company will be required to issue an additional 2,400,000 common shares to Silk;
- In the event that the Company is able to establish a commercial mine of at least a 250,000 ton ore body having a minimum grade of 2 grams of gold per ton, the Company will be required to issue an additional 2,400,000 common shares to Silk;
- Upon the payment of the option payments of October 19, 2017 and 2018, the Company will have an undivided 100% interest in the Property subject to a 2% net smelter royalty ("NSR") in favour of the original optionors. The Company shall have the right to purchase 1% of the 2% NSR royalty for an aggregate cash payment of $1,000,000. In addition, the Company also assumes the obligation from Silk whereby the Company will grant a 1% NSR in favour of the individual who assigned the original option agreement to $2,000,000.

During the year ended June 30, 2018, the Company entered into an option agreement with two arm's length parties to acquire an 100% interest in claims adjacent to the Property.

Pursuant to the terms of the agreement, the Company is required to pay the following as considerations:

- Cash payment of $65,000 on or before January 10, 2020 ($15,000 paid); and
- Share payment of 1,000,000 common shares of the Company on or before January 10, 2020 (400,000 shares issued with value of $160,000).

During the year ended June 30, 2020, the Company did not make the required option payments under the agreement and had no intention to continue work on the claims. Accordingly, the Company has written off related costs totaling $198,000 with respect to these claims.

Jasper Property, British Columbia

Pursuant to a purchase agreement dated December 1, 2007, the Company purchased the Jasper Property from Silk in exchange for 1,336,790 special warrants ("Silk Special Warrants") valued at $2,063,208. On November 2, 2009, 1,336,790 Silk Special Warrants were converted automatically without further consideration into 1,336,790 common shares of the Company. The Jasper Property is located on west-central Vancouver Island, British Columbia. In May 2010, a former director of Silk became a director of the Company.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2020	June 30, 2019
Accounts payable	**$ 612,090**	$ 681,640
Accrued liabilities	**80,020**	218,500

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$	**692,110**	$	900,140

9. SHARE CAPITAL

(a) Authorized and issued share capital

The authorized share capital consists of an unlimited number of common shares, without par value and an unlimited number of preferred shares, without par value. All issued shares are fully paid.

During the year ended June 30, 2020, the Company did not issue any shares.

i) the Company received a subscription in advance for the amount of $140,243.

During the year ended June 30, 2019, the Company:

i) completed a private placement of 28,000 units at a price of $0.05 per unit for gross proceeds of $1,400. Each unit consists of one common share and one share purchase warrant. Each full warrant will entitle the holder to purchase one additional share at $0.07 until December 28, 2022. The Company issued 28,000 broker warrants as finders fees which have the same terms and conditions as the private placement warrants.

ii) issued 428,000 common shares pursuant to the exercise of warrants for the gross proceeds of $29,960.

iii) completed a private placement of 400,000 shares at a price of $0.075 per share for gross proceeds of $30,000.

10. WARRANTS

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2018	6,352,928	$ 0.07
Granted	56,000	0.07
Exercised	(428,000)	0.07
Expired	(740,500)	0.10
Balance, June 30, 2019	5,240,428	0.07
Granted	-	-
Exercised	-	-
Balance, June 30, 2020	5,240,428	$ 0.07

The following are the warrants outstanding at June 30, 2020:

Number of Warrants	Exercise Price ($)	Remaining Contractual Life (years)	Expiry Date
4,832,100	0.07	2.50	December 28, 2022
408,328	0.05	2.50	December 28, 2022

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11. STOCK OPTIONS

The Company has an incentive stock option plan in place with the TSX Venture Exchange ("TSXV"), under which it is authorized to grant options to executive officers, directors, employees and consultants. The Company has implemented a fixed plan, whereby it may not exceed a total of 7,930,000 options under the plan. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant, subject to all applicable regulatory requirements. The options can be granted for a maximum term of five years and vest as determined by the Board of Directors.

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2018	234,600	$ 2.00
Expired	(234,600)	2.00
Balance, June 30, 2019	-	-
Balance, June 30, 2020	-	$ -

12. RELATED PARTY TRANSACTIONS

		Year Ended June 30, 2020	2019
Adrea Capital Corp.	(i)	60,000	60,000
Herb Brugh	(ii)	-	108,676
Vern Bock	(iv)	-	36,000
Victor Cantore	(vi)	20,000	37,000
		$ 20,000	$ 241,676

i. D. Randall Miller, a key consultant for the Company, controls Adrea. During the year ended June 30, 2020, the Company paid or accrued Adrea $60,000 (2019 - $60,000), in management fees. Management fees are included in office and miscellaneous. As at June 30, 2020, the Company was owed $9,727 (June 30, 2019 – payable of $80,150) which is included in accounts payable and accrued liabilities.

ii. For the year ended June 30, 2020, the Company expensed $nil (2019 - $108,676) to Herb Brugh for Chief Executive Officer fees and administration fees. Included in the June 30, 2020 accounts payable and accrued liabilities is $215,328 due to Herb Brugh (June 30, 2019 - $215,328).

iii. As at June 30, 2020, the Company owed Silk $15,521 (June 30, 2019 – Silk owed $15,521) which is included in due to/from related parties and the amount is unsecured, non-interest bearing and due on demand.

iv. For the year ended June 30, 2020, the Company expensed $nil (2019 - $36,000) to Vern Bock, a director of the Company, for consulting fees. Included in the June 30, 2020 accounts payable and accrued liabilities is $38,002 due to Vern Bock (June 30, 2019 - $38,002).

v. As at June 30, 2020, Martina Minerals Corp., a company related by way of a common director, owed the Company $54,518 (June 30, 2019 - $32,539) and the amount is unsecured and due on demand.

vi. For the year ended June 30, 2020, the Company expensed $20,000 (2019 - $37,000) to Victor Cantore, a director of the Company, for consulting fees. Included in the June 30, 2020 accounts payable and accrued liabilities is $57,000 due to Victor Cantore (June 30, 2019 - $37,000).

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Balances due to related parties bear no interest, unless otherwise stated, are due on demand and has no fixed term of repayment.

13. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial income tax rate to income tax recovery presented in the accompanying statements of loss and comprehensive loss is provided below:

		2020		2019
Loss before income taxes	$	(298,284)	$	(383,907)
Expected income tax (recovery)		(81,000)		(104,000)
Change in statutory, foreign tax, foreign exchange rates and other		1,000		(1,000)
Permanent differences		(30,000)		-
Change in unrecognized deductible temporary differences		110,000		105,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2020		2019
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	481,000	$	427,000
Share issue costs		2,000		4,000
Loans receivable		362,000		362,000
Allowable capital losses		84,000		84,000
Non-capital losses available for future period		1,014,000		956,000
		1,943,000		1,833,000
Unrecognized deferred tax assets		(1,943,000)		(1,833,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

The Company has non-capital losses for Canadian income tax purposes of approximately $3,755,000 (2019 - $3,540,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2040.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. LOAN PAYABLE

During the year ended June 30, 2020, the Company received a loan from JB Consolidated Estates Ltd totaling $324,551. The loans are unsecured, non-interest bearing and due on demand. During the year ended June 30, 2020, JB Consolidated Estates Ltd. assigned $12,500 of the outstanding loan to John Gould.

15. SEGMENTED INFORMATION

The Company operates in a single segment: the acquisition and exploration of mineral properties in Canada. The Company's exploration and evaluation assets are located in Canada.

16. SUBSEQUENT EVENTS

Subsequent to year end, the Company received regulatory approval to settle outstanding debt of $661,998 with the issuance of 13,239,964 common shares (the "Common Share Units") at $0.05 per unit and 12,079,964 common share purchase warrants (a "Warrant"). Each purchase warrant is exercisable for one common share of the Company at $0.08 per share for a period of two years.

In addition, the Company received regulatory approval to close a non-brokered private placement (the "Private Placement"). The Company intends to issue of 10,000,000 units (the "Units") at a price of $0.05 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one common share of the Company (each a "Warrant share") at a price of $0.08 per Warrant Share for a period of 24 months following the date of issuance.