HANNA CAPITAL CORP

TSX.V:HCC, FRANKFURT : 04U1

Hanna Capital Corp.

Consolidated Financial Statements

For the Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

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, 2021 and 2020 and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows 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, 2021 and 2020, 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 $10,622,482 and had a working capital deficit of $173,578. 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, 2021

Hanna Capital Corp.

Consolidated Statements of Financial Position
As at June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
ASSETS		
Current		
Cash	**116,309**	89,087
Investment *(Note 11)*	**58,500**	-
Sales tax receivable	**108,229**	79,879
Due from related party *(Note 9)*	**57,353**	-
	340,391	168,966
Reclamation bond	**5,000**	5,000
Notes receivable *(Note 4)*	**1**	1
Due from related party *(Note 9)*	**39,518**	38,997
Exploration and evaluation assets *(Note 5)*	**1,037,634**	1,037,634
Total assets	**1,422,544**	1,250,598
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**476,903**	692,110
Loan payable *(Note 10)*	**37,066**	324,551
Total liabilities	**513,969**	1,016,661
SHAREHOLDERS' EQUITY		
Share capital (*Note 6)*	**9,998,880**	8,641,245
Reserves	**1,532,177**	1,530,115
Subscriptions received in advance	-	140,243
Accumulated deficit	**(10,622,482)**	(10,077,666)
Total shareholders' equity	**908,575**	233,937
Total liabilities and shareholders' equity	**1,422,544**	1,250,598

Nature of operations and going concern (*Note 1*)
Commitments (*Note 15*)

Approved on behalf of the Board:

"Victor Cantore", Director	*"Herbert Brugh", Director*
(signed)	(signed)

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

Hanna Capital Corp.

Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	2021 **$**	2020 $
Expenses		
Accounting and audit fees	**33,720**	31,743
Investor relations	**7,668**	1,719
Legal fees	**-**	1,308
Office and administration	**48,711**	134,780
Consulting fees	**65,000**	20,000
Management and director fees (*Note 9)*	**225,000**	-
Rent	**4,015**	15,146
Interest and penalties	**1,264**	5,858
Net loss before undernoted	**(385,378)**	(210,554)
Unrealized loss on investment *(Note 11)*	**4,500**	-
Realized gain on settlement of due from related party *(Note 11)*	**(18,000)**	-
Loss on settlement of debt *(Note 6)*	**198,599**	-
Foreign exchange loss	**32**	-
Write-off of exploration and evaluation assets *(Note 5)*	-	198,000
Gain on extinguishment of accounts payable	**(25,693)**	(110,270)
Net loss and comprehensive loss	**(544,816)**	(298,284)
Loss per share - basic and diluted	**(0.011)**	(0.009)
Weighted average number of outstanding common shares - basic and diluted	**50,329,044**	33,032,853

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

Hanna Capital Corp.

Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Subscription received in advance	Reserve	Accumulated Deficit	Total
	#	$	$	$	$	$
Balance, 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, June 30, 2020	**33,032,853**	**8,641,245**	**-**	**1,530,115**	**(10,077,666)**	**233,937**
Balance, June 30, 2020	**33,032,853**	**8,641,245**	**140,243**	**1,530,115**	**(10,077,666)**	**233,937**
Shares issued for debt conversion *(Note 6)*	13,239,964	860,597	-	-	-	860,597
Shares issued for private placement *(Note 6*	10,000,000	500,000	(140,243)	-	-	359,757
Share issuance costs	-	(900)	-	-	-	(900)
Issuance of broker warrants *(Note 7)*	-	(2,062)	-	2,062	-	-
Net loss for the year	-	-	-	-	(544,816)	(544,816)
Balance, June 30, 2021	**56,272,817**	**9,998,880**	**-**	**1,532,177**	**(10,622,482)**	**908,575**

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

Hanna Capital Corp.

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(Expressed in Canadian Dollars)

	2021	2020
	$	$
Operating activities		
Net loss for the year	**(544,816)**	(298,284)
Items not involving cash:		
Gain on extinguishment of accounts payable	**(25,693)**	(110,270)
Write-down of exploration and evaluation of assets	**-**	198,000
Unrealized loss on investment	**4,500**	-
Realized gain on settlement of due from related party	**(18,000)**	-
Realized loss on settlement of debt	**198,599**	-
Changes in non-cash working capital items:		
Sales tax receivable	**(28,350)**	(21,539)
Due from related parties	**(27,681)**	(21,979)
Accounts payable and accrued liabilities	**159,791**	(97,760)
Cash used in operating activities	**(281,650)**	(351,832)
Investing activities		
Expenditures on exploration and evaluation assets	**-**	(24,228)
Net cash used in investing activites	**-**	(24,228)
Financing activities		
Proceeds from issuance of shares	**309,772**	-
Share issue costs	**(900)**	-
Proceeds from loans received	**-**	324,551
Proceeds from subscription received in advance	**-**	140,243
Proceeds from financing activities	**308,872**	464,794
Net increase in cash	**27,222**	88,734
Cash, beginning of year	**89,087**	353
Cash, end of year	**116,309**	89,087
Supplementary cash flow information:		
Non-cash transactions:		
Shares issued for the settlement of debt	**661,998**	-
Loan payable applied to share subscription	**49,985**	-
Settlement of due from related party through receipt of shares	**45,000**	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Hanna Capital Corp. (the "Company" or "Corporation") was incorporated under the laws of the State of Nevada on June 1, 2004. The Company is in the business of acquiring and exploring mineral properties in Canada. 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 ("TSX-V") 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. The Company has not earned significant revenue and as at June 30, 2021 had an accumulated deficit of $10,622,482 (June 30, 2020 - $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, 2021, the Company had a working capital deficiency of $173,578 (June 30, 2020 – $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.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown currently. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. The outbreak was declared a pandemic by World Health Organization and the actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries were prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issue by the Board of Directors on October 28, 2021.

(b) Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis, except where otherwise disclosed. Historical cost is based on the fair value of the consideration given in exchange for assets. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars ("$"). The functional currency of the Company, as determined by management, is Canadian dollars.

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

2. BASIS OF PREPARATION (continued)

Share-based compensation - The fair value of stock options and warrants 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 and warrants.

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.

(e) Basis 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.

3. ACCOUNTING POLICIES

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 year.

Earnings (loss) per share

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. 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

3. ACCOUNTING POLICIES (continued)

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.

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 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.

3. ACCOUNTING POLICIES (continued)

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.

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.

3. 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, receivables and due from related party are measured at amortized cost with subsequent impairments recognized in profit or loss. Investment is classified and measured at FVTPL.

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.

(Expressed in Canadian Dollars)

4. NOTE RECEIVABLE

During the year ended June 30, 2013, the Company acquired 100% of the issued and outstanding shares of 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 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 for development purposes (the "Note Receivable). As at June 30, 2014, the Note Receivable was deemed impaired and the Company wrote-down the Note Receivable from Techniton to $1 based on uncertainty of collection.

As at June 30, 2021, the Note Receivable amounted to $1 (June 30, 2020 - $1).

5. 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, 2019	**723,106**	**488,300**	**1,211,406**
Data analysis	19,228	-	19,228
Survey and assessment	-	5,000	5,000
Impairment	-	(198,000)	(198,000)
Balance, June 30, 2020 and June 30, 2021	**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 ("Silk"), a company previously related by a common director, to acquire a 100% interest in certain mining claims west of the City of 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).

5. EXPLORATION AND EVALUATION ASSETS (continued)

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; and

- 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 Inspiration. Under the assignment agreement between Silk and this individual, this 1% NSR can be purchased for $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 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

The Company owns a 100% interest in another property located on West-Central Vancouver Island, British Columbia.

(Expressed in Canadian Dollars)

6. 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, 2021, the Company:

i) issued 7,579,964 units (the "Settlement Units") to the arm's length parties in exchange for the cancellation of an aggregate of $378,998 in debt owning to the arm's length parties and 1,160,000 common shares (the "Settlement Shares") and 4,500,000 Settlement Units to non-arm's length parties in exchange for the $283,000 in debt owing to the parties. The Settlement Units and Settlement Shares were issued at $0.065. Each Settlement Unit is comprised of one (1) common share and one (1) common share purchase warrant ("Settlement Warrant"). Each Settlement Warrant entitles the holder thereof to acquire one (1) common share of the Company at an exercise price of $0.08 per share until September 15, 2022. The Company valued the Settlement Shares and Settlement Units at $860,597 and recorded a loss on settlement of debt in the amount of $198,599; and

ii) issued an aggregate of 10,000,000 units (the "Units") of the Company at a price of $0.05 per Unit for gross proceeds of $500,000 (the "Offering"). Each Unit is comprised of one common share and one common share purchase warrant (the "Warrant"). Each Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.08 per share until October 23, 2022. In connection with the Offering, the Company paid finders' fees of $900 in cash and issued 18,000 broker warrants (the "Broker Warrants"). Each Broker Warrant is exercisable at $0.05 per Broker Warrant into one unit of the Company at an exercise price of $0.05 per share until October 23, 2022 (the "Broker Units"). Each Broker Unit is comprised of one common share and one common share purchase warrant (the "Broker Unit Warrant"). Each Broker Unit Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.08 per share until October 23, 2022. The Broker Warrants were valued as per Note 7.

7. WARRANTS

Share Purchase Warrants	**Number of Warrants**	**Weighted Exercise Price**
Balance, June 30, 2020 and 2019	**5,240,428**	**$ 0.07**
Granted	22,079,964	0.08
Balance, June 30, 2021	**27,320,392**	**$ 0.08**

(Expressed in Canadian Dollars)

7. WARRANTS (continued)

The following are the share purchase warrants outstanding as at June 30, 2021:

Number of Warrants	Exercise Price ($)	Remaining Contractual Life (years)	Expiry Date
4,832,100	0.07	1.50	28-Dec-22
408,328	0.05	1.50	28-Dec-22
12,079,964	0.08	1.21	15-Sep-22
10,000,000	0.08	1.32	23-Oct-22

Broker Warrants

	Number of Warrants	Weighted Exercise Price
Balance, June 30, 2020 and 2019	**-**	**-**
Granted	18,000	0.05
Balance, June 30, 2021	**18,000**	**$ 0.05**

The following are the broker warrants outstanding as at June 30, 2021:

Number of Warrants	Exercise Price ($)	Remaining Contractual Life (years)	Expiry Date
18,000	0.05	1.32	23-Oct-22

On October 23, 2021, the Company issued 18,000 Broker Warrants exercisable until October 23, 2022 at an exercise price of $0.05 per Broker Warrant. Each Broker Warrant is exercisable into one common share and one share purchase warrant of the Company. The Company recorded a value of $2,062. The fair value of the Brokers Warrants was recorded as share issuance costs estimated using the Black-Scholes option pricing model with the following assumptions: volatility of 158%, risk-free interest rate of 0.21%, expected life of 2 years and expected dividend yield of 0.00%.

8. 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. The Company did not have any stock options outstanding as at June 30, 2019, 2020 and 2021.

9. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and nonexecutive) of the Company.

i) During the year ended June 30, 2021, the Company expensed $20,000 (2020 - $Nil) to Herb Brugh for Chief Executive Officer fees and for administration fees. As at June 30, 2021, the Company owed $20,000 (June 30, 2020 - $215,328) to Herb Brugh which is included in accounts payable and accrued liabilities;

ii) During the year ended June 30, 2021, the Company expensed $40,000 (2020 - $20,000) to Victor Cantore, a director of the Company, for consulting fees. Consulting fees are included in office and miscellaneous. Included in the June 30, 2021 accounts payable and accrued liabilities is $97,000 due to Victor Cantore (June 30, 2020 - $57,000);

iii) During the year ended June 30, 2021, the Company expensed $70,000 (2020 - $Nil) to John Gould, a director of the Company, for management fees. Included in the June 30, 2021 accounts payable and accrued liabilities is $70,000 due to John Gould (June 30, 2020 - $Nil);

iv) During the year ended June 30, 2021, the Company expensed $5,000 (2020 - $Nil) to Jim Davis, the Chief Financial Officer of the Company, for management fees. Included in June 30, 2021 accounts payable and accrued liabilities is $5,000 due to Jim Davis (June 30, 2020 - $Nil);

v) As at June 30, 2021, Vern Bock, a former director of the Company, was owed $Nil (June 30, 2020 - $38,002);

vi) During the year ended June 30, 2021, the Company expensed to Adrea Capital Corp., a key consultant to the Company, $90,000 in consulting fees (2020 - $60,000). As at June 30, 2021, the Company was owed $57,353 (2020 - $9,727), which is included in due from related party (2020 – accounts payable and accrued liabilities); and

vii) As at June 30, 2021, Martina Minerals Corp., a corporation related by way of a common director, owed the Company $39,518 (June 30, 2020 - $54,518) which is included in due from related party and the amount is unsecured, non-interest bearing and due on demand. The Company settled a portion of this amount as noted in Note 11.

Balances due to related parties are unsecured, non-interest bearing (unless otherwise stated), and have no fixed terms of repayment.

10. LOAN PAYABLE

As at June 30, 2021, the Company owed JB Consolidated Estates Ltd. $37,066 (June 30, 2020 - $324,551). The loan payable is unsecured, non-interesting bearing and due on demand.

11. INVESTMENT

During the year ended June 30, 2021, the Company entered into a debt settlement agreement (the "Debt Settlement") with Martina Minerals Corp pursuant to which the Company settled $45,000 of debt in exchange for 900,000 common shares of Martina Minerals Corp. at a price of $0.07 per common share (the "Martina Shares"), resulting in a gain on the settlement of debt in the amount of $18,000 on the date of the Debt Settlement.

During the year ended June 30, 2021, the Company recorded an unrealized loss on Martina Shares in the amount of $4,500. As at June 30, 2021, the investment in related party amounted to $58,500 (June 30, 2020 - $Nil).

12. FINANCIAL INSTRUMENTS AND RISK FACTORS

Financial risk management

The Company's financial risk management policies are established to identify and analyse the risks faced by the Company, to set acceptable risk tolerance limits and controls, and to monitor risks and adherence to limits. The financial risk management policies and systems are reviewed regularly to ensure they remain consistent with the objectives and risk tolerance acceptable to the Company and current market trends and conditions. The Company, through its training and management standards and procedures, aims to upload a disciplined and constructive control environment in which all employees understand their roles and obligation

Measurement and classification of financial instruments

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

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

The Company's financial instruments are cash, investment, due from related party, accounts payable and notes payable. The fair value of the Company's accounts payable and notes payable approximate carrying value, due to their short terms to maturity.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. The Company is exposed to credit risk, currency risk, liquidity risk and interest rate risk.

12. FINANCIAL INSTRUMENTS AND RISK FACTORS (continued)

Risk management policies

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these consolidated financial statements. The following analysis provides a measurement of risks as at June 30, 2021:

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any significant credit risk. Sales tax receivable are sales tax refunds due from the Canadian government.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. As at June 30, 2021, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses. Liquidity risk continues to be a key concern in the development of future operations.

Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and therefore it is not currently subject to any significant cash flow interest rate risk.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at June 30, 2021, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

(iii) Price risk

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. The Company has equity investments in another listed public company, as noted per Note 11 and is subject to any significant stock market price risk.

(Expressed in Canadian Dollars)

13. CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk.

The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

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 have been no changes to the Company's capital management approach during the year ended June 30, 2021. The Company considers its cash and items within shareholders' equity as capital.

14. 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:

		2021		2020
Loss for the year	**$**	**(544,816)**	$	(298,284)
Expected income tax (recovery)	**$**	**(147,000)**	$	(81,000)
Change in statutory, foreign tax, foreign exchange rates and other		**7,000**		1,000
Permanent differences		**1,000**		(30,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		**(77,000)**		-
Change in unrecognized deductible temporary differences		**216,000**		110,000
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:

		2021		2020
Deferred tax assets (liabilities)				
Exploration and evaluation assets	**$**	**296,000**	$	481,000
Share issue costs		**1,000**		2,000
Loan receivable		**362,000**		362,000
Allowable capital losses		**92,000**		84,000
Non-capital losses available for future periods		**1,408,000**		1,014,000
		2,159,000		1,943,000
Unrecognized deferred tax assets		**(2,159,000)**		(1,943,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

The Company has non-capital losses for Canadian income tax purposes of approximately $5,216,000 (2020 - $3,755,000) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire as noted below:

	2021	Expiry Date Range	2020	Expiry Date Range
Temporary Differences				
Non-capital losses available for future periods	5,216,000	2025 to 2041	3,755,000	2025 to 2040
Canada	5,216,000	2025 to 2041	3,755,000	2025 to 2040

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

15. COMMITMENTS

Aside from monthly fees payable to the board of directors and officers, the Company did not have any long-term commitments as at June 30, 2021.