brunswick exploration

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended June 30, 2021

In Canadian Dollars

Unaudited

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of Brunswick Exploration Inc. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Brunswick Exploration Inc. (formerly Komet Resources Inc.)
Condensed Consolidated Statements of Financial Position

(in Canadian dollars)	**June 30, 2021 (unaudited)**	December 31, 2020 (audited)
	$	$
ASSETS		
Current		
Cash (Note 17)	**4,466,061**	5,492,705
Investments (Note 4)	**-**	1,372,178
Sales taxes receivable	**465,753**	380,340
Prepaid expenses	**66,790**	-
	4,998,604	7,245,223
Assets related to discontinued operations (Note 5)	**-**	3,121,094
	4,998,604	10,366,317
Non-current		
Exploration and evaluation assets (Note 6)	**1,959,061**	535,356
Intangible assets	**20,532**	24,638
TOTAL ASSETS	**6,978,197**	10,926,311
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**1,001,918**	367,375
Convertible debentures (Note 8)	**991,462**	1,458,151
Due to an administrator (Note 9)	**100,000**	100,000
	2,093,380	1,925,526
Liabilities related to discontinued operations (Note 5)	**-**	4,228,350
TOTAL LIABILITIES	**2,093,880**	6,153,876
EQUITY		
Share capital	**23,146,477**	23,146,477
Warrants	**579,614**	579,614
Stock options	**369,184**	302,693
Equity component of convertible debenture	**163,819**	163,819
Contributed surplus	**2,346,788**	2,346,788
Deficit	**(21,721,065)**	(21,766,956)
Equity attributable to shareholders	**4,884,817**	4,772,435
TOTAL LIABILITIES AND EQUITY	**6,978,197**	10,926,311

Going concern (Note 1)
Commitments and contingencies (Note 17)

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

/s/ Robert Wares
Robert Wares, Director

/s/ Killian Charles
Killian Charles, President

Brunswick Exploration Inc. (formerly Komet Resources Inc.)
Condensed Consolidated Statements of Loss and Comprehensive Loss

	Three-month periods ended June 30,		Six-month periods ended June 30,	
(unaudited, in Canadian dollars)	**2021**	2020	**2021**	2020
	$	$	**$**	$
Expenses				
Administrative expenses (Note 12)	**1,074,763**	164,896	**1,265,429**	256,181
Interest on convertible debentures and due to an administrator (Notes 8 and 9)	**39,500**	151,264	**84,500**	306,505
Stock-based compensation	**33,246**	-	**66,491**	-
Gain on sale of investments (Note 4)	**(248,386)**	-	**(359,161)**	-
Depreciation of intangible assets	**4,106**	2,085	**4,106**	4,208
Foreign exchange loss	**-**	92	**-**	2,555
Net loss and comprehensive loss	**(903,229)**	(318,337)	**(1,061,365)**	(569,449)
Gain on disposal of subsidiaries (Note 5)	**-**	-	**1,107,256**	-
Expenses directly associated to assets classified as held for sale	**-**	(12,880)	**-**	(29,891)
Net profit (loss) associated to discontinued activities	**-**	(12,880)	**1,107,256**	(29,891)
Net profit (loss) and comprehensive income (loss)	**(903,229)**	(331,217)	**45,891**	(599,340)

Per Share (Note 13)				
Basic and diluted – continued activities	**(0.01)**	(0.01)	**0.00**	(0.01)
Basic and diluted – discontinued activities	**(0.01)**	(0.01)	**0.00**	(0.01)
Weighted average number of common shares – basic and diluted	**131,369,712**	73,481,385	**131,369,712**	73,481,385

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

Brunswick Exploration Inc. (formerly Komet Resources Inc.)
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited, in Canadian dollars, except for number of shares)

	Number of issued and outstanding common shares	Share capital	Warrants	Stock options	Equity component of convertible debentures	Contributed surplus	Deficit	Total equity
		$	$	$	$	$	$	$
Balance as at January 1, 2021	**131,369,712**	**23,146,477**	**579,614**	**302,693**	**163,819**	**2,346,788**	**(21,766,956)**	**4,772,435**
Stock-based compensation	-	-	-	66,491	-	-	-	66,491
Net profit and comprehensive income	-	-	-	-	-	-	45,891	45,891
Balance as at June 30, 2021	**131,369,712**	**23,146,477**	**579,614**	**369,184**	**163,819**	**2,346,788**	**(21,721,065)**	**4,884,817**
Balance as at January 1, 2020	**73,481,385**	**14,320,139**	**-**	**263,907**	**220,276**	**2,290,331**	**(21,733,284)**	**(4,638,631)**
Net loss and comprehensive loss	-	-	-	-	-	-	(599,340)	(599,340)
Balance as at June 30, 2020	**73,481,385**	**14,320,139**	**-**	**263,907**	**220,276**	**2,290,331**	**(22,332,624)**	**(5,237,971)**

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

Brunswick Exploration Inc. (formerly Komet Resources Inc.)
Condensed Consolidated Statements of Cash Flows

(Unaudited, in Canadian dollars)	**Six-month periods ended June 30,** **2021**	2020
	$	$
Operating activities		
Net profit (loss)	**45,891**	(599,340)
Adjustments		
Share-based compensation	**66,491**	-
Depreciation of intangible assets	**4,106**	4,208
Impairment on assets held for sale	**-**	29,891
Amortization of convertible debenture issuance cost (Note 8)	**3,250**	6,500
Non-cash interest on convertible debenture and interest accretion (Note 8)	**30,061**	29,946
Gain on sale of investments (Note 4)	**(359,161)**	-
Gain on sale of subsidiaries (Note 5)	**(1,107,256)**	-
Changes in working capital items (Note 15)	**541**	90,839
Net cash flows used in operating activities	**(1,316,077)**	(437,956)
Investing activities		
Investments in exploration and evaluation assets	**(941,906)**	(4,705)
Proceeds from the sale of investments (Note 4)	**1,731,339**	-
Net cash flows provided by (used in) investing activities	**789,433**	(4,705)
Financing activities		
Change in the amount due to an administrator	**-**	400,000
Reimbursement of convertible debt (Note 8)	**(500,000)**	
Net cash flows (used in) provided by financing activities	**(500,000)**	400,000
Net decrease in cash	**(1,026,644)**	(42,661)
Cash, beginning of period	**5,492,705**	(537,814)
Cash, end of period	**4,466,061**	(580,475)

Supplemental disclosure (Note 15)

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

1. NATURE OF ACTIVITIES AND GOING CONCERN

Brunswick Exploration Inc. (the "Company" or "BRW") is primarily engaged in the acquisition and exploration of mineral properties. BRW is domiciled in Canada and is governed by the *Business Corporations Act* (Québec). The address of the Company's registered office is 1100, Avenue des Canadiens-de-Montreal, Suite 300, Montreal, Québec, Canada.

The Company is listed on the Toronto Venture Exchange ("TSX-V") under the symbol "BRW". It sold its African assets and is now focused on exploration and development of gold and base metal properties in Eastern Canada, particularly in New Brunswick and Québec. The Company's name change from Komet Resources Inc. to "Brunswick Exploration Inc." was approved at the annual meeting of shareholders on September 15, 2020 and by the TSX-V on October 6, 2020.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of deferred exploration and evaluation expenses is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to continue the exploration, evaluation and development of its properties; and obtaining certain government approvals or proceeds from the disposal of properties. Changes in future conditions could require material impairment of the carrying value of the deferred exploration and evaluation expenses. Although the Company has taken steps to verify title to its mining properties on which it is currently conducting exploration and evaluation work, in accordance with industry standards for the current stage of exploration and evaluation of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. In assessing whether the going concern assumption is appropriate, Management of the Company ("Management") takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. As at June 30, 2021, the Company had working capital of $2,905,224 (including a cash balance of $4,466,061), an accumulated deficit of $21,721,065 and had incurred a net profit of $45,891 for the six-month period ended June 30, 2021. As the Company is in the exploration and evaluation stage for its projects, it has not recorded any revenues from operations and has no source of operating cash flow.

The working capital as at June 30, 2021 will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2022. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the preceding paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The duration and full financial effect of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, companies and others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which COVID-19 may materially and adversely affect the Company in future periods are also subject to significant uncertainty. The Company is monitoring developments in order to be in a position to take appropriate action.

The Company's ability to continue future operations and fund its planned exploration activities at its projects is dependent on Management's ability to secure additional financing in the future. Any funding shortfall may be met in the future in a number of ways, including, but not limited to, selling a royalty on its projects and the issuance of debt or equity instruments. While Management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than the amounts reflected in these condensed consolidated interim financial statements.

June 30, 2021 (in Canadian dollars)

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments to fair value. In addition, these unaudited condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *International Financial Reporting Standards* as issued by the *International Accounting Standards Board* ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors (the "Board") on August 24, 2021.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries listed below:

Name of subsidiary	Activity	Country
Komet Ressources Afrique SA ("Komet SA")	Sold in January 2021	Burkina Faso
Guiro Exploration SARL ("Guiro")	Sold in January 2021	Burkina Faso
Komet Mali SARL	Sold in July 2020	Mali

The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All intercompany balances and transactions are eliminated on consolidation.

3. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the Company's management to make judgments, estimates and assumptions on reported amounts of assets and liabilities, and reported amounts of expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may be substantially different. The critical accounting, judgments, estimates and assumptions are the same as those in our most recent audited annual financial statements.

4. INVESTMENTS

At December 31, 2020, the Company held 3,610,336 common shares in Roscan Gold Corporation, a quoted mining exploration company with a value of $1,372,178. During the six-month period ended June 30, 2021, the Company sold all of these marketable securities, recording a gain of $359,161 in earnings ($ nil during the six-month period ended June 30, 2020).

During the three-month period ended June 30, 2021, the Company recorded a gain related to these marketable securities of $248,386 in earnings ($ nil during the three-month period ended June 30, 2020).

June 30, 2021 (in Canadian dollars)

5. DISCONTINUED ACTIVITIES

In April 2019, the Company entered into a share purchase agreement with CINI SOLUTIONS for the sale of all the shares of two of the Company's wholly owned subsidiaries; Komet SA and Guiro (the "Burkina Subsidiaries"). The sale was concluded on January 20, 2021, the parties have been discharged of all responsibilities as at this date and the closing of this transaction allows the Company to cease all activities in Africa.

The details of the operation of the Company's discontinued activities as at June 30, 2021 and December 31, 2020, are as follows:

	2021	2020
	$	$
Assets classified as discontinued activities	-	3,121,094
Liabilities classified as discontinued activities	-	4,228,350
Expenses associated with discontinued activities	-	180,873
Gain on disposal of subsidiaries	1,107,256	2,147,767
Cash flow from operating activities associated with discontinued activities	-	176,637
Cash flow from investing activities associated with discontinued activities	-	-
Cash flow from financing activities associated with discontinued activities	-	-

6. EXPLORATION AND EVALUATION ASSETS

The Company has incurred the following costs on its exploration and evaluation assets:

Property	Balance as at January 1, 2021	Additions	Balance as at June 30, 2021
	$	$	$
Quebec			
Waconichi (a)			
Mining rights	2,584	-	2,584
Exploration expenses	109,813	445,283	555,096
	112,397	445,283	557,680
Lac Edouard (b)			
Mining rights	-	108,652	108,652
Exploration expenses	-	287,836	287,836
	-	396,488	396,488
New Brunswick			
Bathurst (c)			
Mining rights	100,000	2,580	102,580
Exploration expenses	-	364,113	364,113
	100,000	366,693	466,693
Fundy (d)			
Mining rights	151,454	16,600	168,054
Exploration expenses	171,505	198,641	370,146
	322,959	215,241	538,200
Summary			
Mining rights	254,038	127,832	381,870
Exploration expenses	281,318	1,295,873	1,577,191
	535,356	**1,423,705**	**1,959,061**

(a) Waconichi, Québec: On September 1, 2020, the Company staked the Waconichi base metal property, located 40 km northeast of the town of Chibougamau in the northern section of the Abitibi greenstone belt, Eeyou Istchee, Quebec. This property comprises 260 map-staked claims covering a surface area of 14,297 ha and is accessible by an all-season bush road from Chibougamau.

(b) Lac Edouard, Québec: On March 1, 2021, In addition to completing staking, the Company announced the signing of option and purchase agreements from a private company and prospectors to acquire a 100% interest in the Lac Edouard Nickel Project, located 40 km northeast of the town of La Tuque, Québec, and 125 km northwest of Québec City.

6. EXPLORATION AND EVALUATION ASSETS (*continued*)

(b) Lac Édouard, Québec (*continued*):

The Company optioned 25 claims representing 1,375 ha from Les Ressources Tectonic Inc. This option allows the Company to acquire a 100% interest in this property over a three-year period for total cash consideration of $170,000 and exploration expenditures of $500,000 under the following terms:

- Upon closing of the formal agreement, the Company paid $15,000;
- Upon the first-year anniversary of the closing, the Company will pay $45,000 and will have completed $100,000 in exploration;
- Upon the second-year anniversary of the closing, the Company will pay $50,000 and will have completed and additional $150,000 in exploration; and
- Upon the third-year anniversary of the closing, the Company will pay $60,000 and will have completed and additional $250,000 in exploration.

(c) Bathurst, New-Brunswick: In August 2020, the Company entered into an option agreement (amended on April 16, 2021) with Osisko Metals Incorporated ("Osisko Metals") whereby it can acquire a majority interest in the Brunswick Belt exploration property located in the eastern portion of the Bathurst mining camp. This property covers 72 km of the prolific Brunswick Belt and includes the Key Anacon and Gilmour South base metal deposits. This option allows the Company to earn an interest of up to 51% by spending an aggregate of $10,000,000 in two stages over a five-year period.

This option agreement has two distinct earn-in requirements:

- Option 1: The Company can acquire an initial 15% interest in this property by making a $100,000 cash payment and financing a total of $2,000,000 in exploration work no later than the second anniversary of signing this option.
- Option 2: The Company can acquire an additional 36% interest (a total interest of 51%), by financing a total of $10,000,000 (taking into account the amount of $2,000,000 incurred as part of Option 1) in exploration work in accordance with the following schedule:
  - A cumulative total of $4,000,000 no later than the third anniversary;
  - A cumulative total of $6,500,000 no later than the fourth anniversary;
  - A cumulative total of $10,000,000 no later than the fifth anniversary.

Upon completion of any or all phases (at the Company's discretion), a joint venture may be formed between the Company and Osisko Metals. Osisko Metals is considered a related party due to common officers and directors. On June 8, 2021, the Company announced that this transaction received approval from the TSX-V.

(d) Fundy, New-Brunswick: In October 2020, the Company staked a gold-silver property totaling 37,260 ha collectively known as the Fundy Gold Project. These properties are located west of Saint John, New Brunswick, which cover 40 km of strike length along the Fundy Shear Zone, a regional, deep-rooted, sparsely explored Appalachian fault system.

In tandem with the staking program, on October 14, 2020, the Company closed an option agreement, which was amended on April 19, 2021, related to 6 claims (116 units) totaling 2,639 ha. Under the terms of this agreement, the Company can acquire a 100% interest in the claims in exchange for the following:

- At closing and at the amendment date, payments of $10,000 ($20,000 total).
- On the first anniversary of the closing, the payment of $22,500 and issuance of 12,000 shares.
- On the second anniversary of the closing, the payment of $22,500 and issuance of 22,000 shares.
- On the third anniversary of the closing, the payment of $22,500 and issuance of 22,000 shares.
- On the fourth anniversary of the closing, the payment of $32,500 and issuance of 54,000 shares.
- On the fifth anniversary of the closing, the payment of $35,000 and issuance of 110,000 shares.

The timeline can be accelerated at the Company's option and no minimum exploration expenses have to be incurred to complete the acquisition. The Company also granted a 2% NSR on the claims covered by the option agreement. The first 1% of the NSR may be redeemed following payment by the Company of $1,000,000. The second 1% may be redeemed following payment by the Company of $2,000,000.

June 30, 2021 (in Canadian dollars)

7. BANK OVERDRAFT

The Burkina Subsidiaries had an authorized bank overdraft of 300,000,000 CFA francs, refundable upon request and bearing interest at 7%. As at December 31, 2020, the balance of this bank overdraft was 231,383,139 CFA francs and was included in the liabilities related to discontinued activities. On January 20, 2021, the Company sold the Burkina Subsidiaries (Note 5) and have been discharged of all responsibilities including this bank overdraft.

8. CONVERTIBLE DEBENTURES

Convertible debentures 2015

In June 2015, the Company completed a private placement in the form of convertible debentures for gross proceeds of $2,000,000 for which a finder's fee of $65,000 was paid.

These debentures matured on June 8, 2020. These debentures bear interest at a rate of 12%, payable semi-annually, on June 1st and December 1st of each year (exceptionally, the first payment was paid as at January 1, 2016, representing a seven-month period). Each debenture was convertible at any time prior to the maturity date at the discretion of the subscriber for common shares at a conversion price of $0.65 per common share.

On July 3, 2020, the Company repaid $1,500,000 of debentures, including the related interest. At December 31, 2020, the outstanding balance totaled $500,000. This balance and related interest was repaid on May 4, 2021.

Convertible debentures 2018

On September 27, 2018, the Company completed a private placement in the form of convertible debentures for gross proceeds of $1,000,000, with a maturity date of September 1, 2021.

These debentures bear interest at a rate of 12%, payable semi-annually, on March 1st and September 1st of each year. Each debenture is convertible at any time prior to the maturity date at the discretion of the subscriber for common shares at a conversion price of $0.40 per share.

At its discretion and up to a maximum of three times before the due date, the Company can pay the accrued interest by issuing shares based on the market price on the date of the payment. After the end of the third year, the Company has the right to force the conversion of these debentures in the event that the shares of the issuer are traded at more than $1.00 per share for more than 10 consecutive days.

At the date of issue, the fair value of the conversion option was determined to be $145,000. The fair value of these debentures was determined by discounting the cash flows related to these debentures at a rate of 19.5%, which is the interest rate that the Company would have expected to pay if these debentures did not have a conversion option, representing the excess of the fair value of debentures and their nominal value. Therefore, the fair value of these debentures was $855,000 at the initial transaction date.

Transactions affecting the convertible debentures were as follows:

	2021 (unaudited)	**2020 (audited)**
	$	**$**
Balance, January 1st	1,458,151	2,892,912
Amortization of issuance costs	3,250	6,500
Reimbursement of debenture	(500,000)	(1,500,000)
Interest accretion	30,061	58,739
Balance, period end	991,462	1,458,151

June 30, 2021 (in Canadian dollars)

9. DUE TO AN ADMINISTRATOR

As at December 31, 2019, a director and an officer of the Company (the "Administrator") had advanced to the Company an amount of $1,900,000, with annual interest of 12%, originally refundable by 36 monthly payments of $16,667 beginning January 1, 2020.

During the year ended December 31, 2020, additional advances totaling $500,000 were made to the Company. On July 8, 2020, the Company concluded the settlement of debt with the Administrator for an amount of $2,300,000 plus related interest. Pursuant to the debt settlement, the Company issued to the Administrator 21,305,983 common shares at a fair value of $0.14 per share, resulting in a loss of settlement of debt of $426,121. The balance owing to the Administrator on December 31, 2020 was $100,000.

In July 2021, the Company reimbursed the balance of $100,000 to the Administrator.

10. SHARE CAPITAL AND WARRANTS

Share capital

Authorized:
Unlimited number of common shares, voting and participating, without par value.
Unlimited number of preferred shares, non-voting, without par value, issuable in series

Share purchase warrants

The following table sets out the activity in share purchase warrants:

	Six-months ended June 30, 2021	
	Number of Warrants	**Price per share ($)**
Balance – January 1, 2021	8,750,000	0.22
Balance – June 30, 2021	**8,750,000**	**0.22**

11. STOCK OPTIONS

The Company has adopted a share-based compensation plan (the "Plan") under which members of the Board of Directors may award stock options to directors, staff members and consultants. The maximum number of stock options issuable under the Plan is 5,000,000.

The following table sets out the activity in stock options:

	Six-months ended June 30, 2021	
	Number	**Weighted average exercise price ($)**
Balance – January 1, 2021	3,600,000	0.29
Granted	300,000	0.21
Forfeited	(300,000)	0.21
Balance – June 30, 2021	**3,600,000**	**0.29**
Exercisable options – June 30, 2021	**1,200,000**	**0.44**

June 30, 2021 (in Canadian dollars)

12. ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Salaries	**105,095**	-	**144,740**	-
Management fees	**55,000**	22,500	**82,500**	45,000
Professional fees	**105,582**	98,246	**172,584**	138,728
Investor relations	**94,619**	24,853	**123,703**	39,449
Travel	**678**	574	**678**	574
Office	**35,920**	18,723	**63,355**	32,430
Misappropriation of assets (a)	**677,870**	-	**677,870**	-
Total	**1,074,763**	164,896	**1,265,429**	256,181

(a) In June 2021, Management identified certain transactions, which raised suspicions of misappropriation of Company assets by a former employee relating to prior transactions, which were brought to the attention of the Company's board of directors, auditors and external legal counsel. Management performed a formal investigation and based on key findings, the Company identified unauthorized transactions totaling $979,000 having taken place between April 2018 and June 2021. Of these amounts, $571,130 had been recognized in expenses at the time the transactions were entered into and had no impact on the consolidated net loss as previously reported for each of the periods ended December 31, 2018, 2019 and 2020.

Administrative expenses of $677,870 include unauthorized transactions made in the six-month period ended June 30, 2021, as well as previously unrecorded unauthorized transactions from prior periods totaling $270,000.

On August 13, 2021, the Company entered into a transaction agreement with the former employee, who acknowledged the misappropriation of assets and has agreed to a reimbursement timeline. The Company has recognized a 100% credit loss on this receivable for a net accounting value of nil as at June 30, 2021 and will record future reimbursement payments in the statement of comprehensive loss as funds are received.

13. NET LOSS PER SHARE

Due to the net loss for the three and six-month periods ended June 30, 2021 and 2020, all potentially dilutive common shares (Notes 10 and 11) are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these periods.

14. RELATED PARTIES

Key management includes directors and officers of the Company. The compensation paid or payable to key management for employee services is presented below for the three-month and six-month periods ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	**2021**	2020
	$	$	**$**	$
Management fees and salaries	**121,667**	22,500	**201,667**	45,000
Share-based compensation	**18,700**	-	**54,716**	-
Interest expense on convertible debentures	**39,500**	64,425	**84,500**	109,425
Interest expense on due to an administrator	**-**	50,178	**-**	100,356
Office access fees	**14,950**	9,375	**29,900**	18,750

June 30, 2021 (in Canadian dollars)

15. SUPPLEMENTAL DISCLOSURE – STATEMENTS OF CASH FLOW

Changes in non-cash working capital items:	Six-months ended June 30, 2021	2020
	$	$
Sales taxes receivable	(85,413)	-
Prepaid expenses	(66,790)	-
Accounts payable and accrued liabilities	152,744	90,839
	541	**90,839**

Net cash:	Six-months ended June 30, 2021	2020
	$	$
Canadian dollars	4,466,061	39,399
Bank overdraft	-	(619,874)
Total	**4,466,061**	**(580,475)**

Items not effecting cash:	Six-months ended June 30, 2021	2020
	$	$
Exploration and evaluation asset expenditures included in trade and other payables		
Beginning of period	97,544	-
End of period	579,343	-

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value

The following presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for assets or liabilities that are not based on observable data (unobservable inputs).

The fair value of the investments in shares have been estimated by reference to their quoted prices at the reporting date. Investments measured at fair value in the statement of financial position as at June 30, 2021 and December 31, 2020 are classified in level 1.

17. COMMITMENTS AND CONTINGENCIES

Flow-through shares

The Company is partially financed through the issuance of flow-through shares, and accordingly, the Company is engaged to complete mining exploration activities. These tax rules also set deadlines for carrying out the exploration work no later than the first of the following dates:

a. Two years following the flow-through placements;
b. One year after the Company has renounced the tax deductions relating to the exploration work.

On October 1, 2020, the Company received $1,700,000 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2020. As at June 30, 2021, $845,000 remains to be incurred by December 31, 2022.

On December 21, 2020, the Company received $1,998,115 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2020. As at June 30, 2021, $1,435,000 remains to be incurred by December 31, 2022.