

Gold Springs Resource Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Financial Statements
Three and six months ended June 30, 2021 and 2020

(Unaudited - Expressed in U.S. dollars)

NOTICE OF NO AUDITOR REVIEW OF 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 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 interim consolidated financial statements of the Company 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 Canada for a review of interim financial statements by an entity's auditor.

Gold Springs Resource Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in U.S. dollars)

| | Note | June 30, 2021 \$ | December 31, 2020 \$ |
|---|------|------------------------|----------------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | | 3,425,759 | 1,595,615 |
| Restricted cash | 7 | 449,597 | 449,794 |
| Receivables and prepaids | 4 | 131,325 | 552,011 |
| | | 4,006,681 | 2,597,420 |
| Non-current assets | | | |
| Equipment | | 160,937 | 67,548 |
| Reclamation deposit | 6 | 504,452 | 470,131 |
| Other receivables | 4 | 378,341 | 356,171 |
| Investment in associate | 5 | 970,280 | 1,394,345 |
| Mining claims and deferred exploration costs | 6 | 19,996,999 | 18,830,813 |
| Total Assets | | 26,017,690 | 23,716,428 |
| Liabilities | | | |
| Current | | | |
| Accounts payable and accrued liabilities | 11 | 459,373 | 275,701 |
| Redemption liability | 7 | 449,597 | 449,794 |
| | | 908,970 | 725,495 |
| Non-current liabilities | | | |
| Loan payable | 8 | 32,272 | 31,416 |
| Advances for Gold Springs Project exploration costs | 9 | 2,742,882 | - |
| | | 3,684,124 | 756,911 |
| Equity attributable to shareholders | | | |
| Share capital | 10 | 98,574,926 | 98,491,472 |
| Contributed surplus | 10 | 13,906,310 | 13,757,700 |
| Accumulated other comprehensive loss | | (251,894) | (305,356) |
| Deficit | | (89,895,776) | (88,984,299) |
| | | 22,333,566 | 22,959,517 |
| Total Liabilities and Shareholders' Equity | | 26,017,690 | 23,716,428 |

Contingencies (Note 13)

Subsequent events (Note 16)

Approved by the Board of Directors:

(signed) "Tina Woodside-Shaw"

(signed) "Roman Mironchik"

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

Gold Springs Resource Corp.

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Condensed Interim Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)

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

(Unaudited - Expressed in U.S. dollars)

| | Note | Three months ended | | Six Months ended | |
|---|--------|--------------------|------------------|------------------|------------------|
| | | June 30, 2021 | June 30, 2020 | June 30, 2021 | June 30, 2020 |
| | | \$ | \$ | \$ | \$ |
| General and administrative expenses | | | | | |
| Professional fees | 11 | 49,231 | 71,456 | 110,605 | 143,361 |
| Wages and benefits | 11 | 36,587 | 53,939 | 88,479 | 114,816 |
| Shareholder information and investor relations | | 16,433 | 13,165 | 27,368 | 32,453 |
| Office and administration | | 10,691 | 15,568 | 40,022 | 38,355 |
| Directors' fees | 11 | 20,291 | 14,400 | 34,595 | 26,583 |
| Filing and transfer agent fees | | 22,595 | 4,826 | 58,009 | 30,593 |
| Reconnaissance and sundry exploration | | - | - | 6,564 | - |
| Share-based payments | 10, 11 | 64,790 | 6,926 | 66,819 | 24,435 |
| Depreciation and amortization | | 7,978 | 6,689 | 14,359 | 13,411 |
| Consulting | | 1,729 | 5,342 | 7,246 | 10,684 |
| | | (230,325) | (192,311) | (454,066) | (434,691) |
| Other income (expenses) | | | | | |
| Interest and other income | | 13,218 | 11,436 | 17,619 | 46,146 |
| Accretion finance charge | 9 | (8,193) | - | (8,193) | - |
| Foreign exchange gain (loss) | | (6,808) | (550) | (10,615) | (1,525) |
| Share of loss, and gain on dilution, of equity accounted investee | 5 | (222,289) | (49,709) | (456,222) | (198,858) |
| | | (224,072) | (38,823) | (457,411) | (154,237) |
| Net loss for the period | | | | | |
| | | (454,397) | (231,134) | (911,477) | (588,928) |
| Other comprehensive income (loss) | | | | | |
| <i>Items that may be subsequently reclassified to profit or loss:</i> | | | | | |
| Currency translation differences | | 32,195 | 50,766 | 53,462 | (101,848) |
| Total other comprehensive income (loss) for the period | | | | | |
| | | 32,195 | 50,766 | 53,462 | (101,848) |
| Total comprehensive loss for the period | | | | | |
| | | (422,202) | (180,368) | (858,015) | (690,776) |
| Net loss per share: | | | | | |
| Basic and Diluted | | | | | |
| | | (0.00) | (0.00) | (0.00) | (0.00) |
| Weighted average number of shares outstanding: | | | | | |
| Basic and Diluted | | | | | |
| | | 249,482,801 | 248,789,073 | 249,262,163 | 248,789,073 |

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

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Condensed Interim Consolidated Statements of Changes in Equity

For the six months ended June 30, 2021 and 2020

(Unaudited - Expressed in U.S. dollars)

| | Share Capital | | Contributed Surplus | AOCL ¹ | Deficit | Total |
|--------------------------------------|--------------------|-------------------|---------------------|-------------------|---------------------|-------------------|
| | Number | \$ | \$ | \$ | \$ | \$ |
| Balance, December 31, 2019 | 248,789,073 | 98,466,930 | 13,725,401 | (327,157) | (87,633,339) | 24,231,835 |
| Share-based payments | - | - | 25,404 | - | - | 25,404 |
| Total comprehensive loss | - | - | - | (101,848) | (588,928) | (690,776) |
| Balance, June 30, 2020 | 248,789,073 | 98,466,930 | 13,750,805 | (429,005) | (88,222,267) | 23,566,463 |
| Shares issued on warrant exercise | 250,000 | 24,542 | (3,687) | - | - | 20,855 |
| Share-based payments | - | - | 10,582 | - | - | 10,582 |
| Total comprehensive income (loss) | - | - | - | 123,649 | (762,032) | (638,383) |
| Balance, December 31, 2020 | 249,039,073 | 98,491,472 | 13,757,700 | (305,356) | (88,984,299) | 22,959,517 |
| Shares issued on option exercise | 1,240,520 | 83,454 | (83,454) | - | - | - |
| Issue costs, Secured Rights warrants | - | - | 155,236 | - | - | 155,236 |
| Share-based payments | - | - | 76,828 | - | - | 76,828 |
| Total comprehensive income (loss) | - | - | - | 53,462 | (911,477) | (858,015) |
| Balance, June 30, 2021 | 250,279,593 | 98,574,926 | 13,906,310 | (251,894) | (89,895,776) | 22,333,566 |

1 Accumulated other comprehensive loss

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

Gold Springs Resource Corp.

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Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020

(Unaudited - Expressed in U.S. dollars)

| | June 30, 2021 | June 30, 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| Cash flows (used in) from operating activities | | |
| Net loss for the period | (911,477) | (588,928) |
| <i>Items not affecting cash</i> | | |
| Depreciation and amortization | 14,359 | 13,411 |
| Share of loss, and gain on dilution, of equity accounted investee | 456,222 | 198,858 |
| Share-based payments | 66,819 | 24,435 |
| Interest income | (17,619) | (46,146) |
| Accretion finance charge | 8,193 | - |
| | (383,503) | (398,370) |
| <i>Changes in non-cash operating working capital</i> | | |
| Change in receivables and prepaids | 12,546 | (116,841) |
| Change in accounts payable and accrued liabilities | 83,619 | (69,071) |
| | (287,338) | (584,282) |
| Cash flows (used in) from investing activities | | |
| Mining claims and deferred exploration costs | (1,056,124) | (399,188) |
| Receipts from collection of Escalones sales proceeds receivable | 275,895 | - |
| Reclamation deposit | (34,321) | - |
| Purchase of equipment | (107,742) | (62,265) |
| Interest received | 17,619 | 42,902 |
| | (904,673) | (418,551) |
| Cash flows from (used in) financing activities | | |
| Advances for Gold Springs Project exploration costs | 3,000,000 | - |
| Receipt of loan financing | - | 29,352 |
| | 3,000,000 | 29,352 |
| Increase (decrease) in cash and cash equivalents | 1,807,989 | (973,481) |
| Foreign exchange effect on cash and cash equivalents | 22,155 | (16,356) |
| Cash and cash equivalents - Beginning of period | 1,595,615 | 3,831,570 |
| Cash and cash equivalents - End of period | 3,425,759 | 2,841,733 |

Supplemental cash flow information (Note 14)

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

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Notes to the Condensed Interim Consolidated Financial Statements

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

(Unaudited - Expressed in U.S. dollars)

1 Nature of operations and liquidity risk

Gold Springs Resource Corp. (“GRC” or the “Company”) was incorporated pursuant to the *Canada Business Corporations Act* by articles of incorporation dated September 28, 2006 and was continued under the *Business Corporations Act* (British Columbia) (“BCBCA”) on December 17, 2013. The Company is listed on the on the Toronto Stock Exchange (“TSX”) under the stock symbol GRC and on the OTCQB Venture Market (“OTCQB”) in the U.S. under the stock symbol GRCAF. The Company’s registered and head office is located at Suite 880, 580 Hornby Street, Vancouver, British Columbia, Canada, V6C 3B6. The Company’s principal activities include the acquisition, exploration and development of mineral properties. The principal country where the Company has been undertaking exploration activities is the United States. Property interests are held through wholly owned subsidiaries.

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months.

At June 30, 2021, the Company had a working capital of \$3,097,711 (December 31, 2020 – working capital of \$1,871,925), which the Company believes is sufficient to meet its obligations and continue its operations for at least the next twelve months.

Beyond the next 12 months, the Company’s ability to continue as a going concern will be dependent upon its ability to obtain the necessary financing to meet its general operating expenses and to continue to explore its mineral properties. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

2 Basis of presentation

Statement of compliance

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2020, which have been prepared in accordance with IFRS.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2020, except as further described in Note 3.

These financial statements were approved by the board of directors on August 11, 2021.

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Notes to the Condensed Interim Consolidated Financial Statements

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Basis of consolidation

The consolidated financial statements include the results or financial information of Gold Springs Resource Corp. and its significant wholly-owned subsidiaries listed in the following table:

| <u>Name</u> | <u>Country of incorporation</u> |
|--|---------------------------------|
| Escalones Resource Corp. | Canada |
| High Desert Gold Corporation | Canada |
| Gold Springs Resource Corp. (formerly TriMetals Mining Inc.) | U.S.A. |
| Gold Springs LLC | U.S.A. |

The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. All significant intercompany transactions and balances have been eliminated.

3 Use of estimates, assumptions and judgments

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020, except as follows:

As further described in Note 9, during the three months ended June 30, 2021, the Company closed two tranches of a non-brokered financing for a resource expansion program resulting in the issuance of Series A Secured Rights of the Company. Amounts repayable under the advances for Gold Springs Project exploration costs, as represented by the Series A Secured Rights, are contingent on the achievement of certain gold equivalent resource targets and the future successful sale of the Gold Springs Project. The Series A Secured Rights are financial liabilities and require the Company, in determining the carrying values of the Series A Secured Rights, to make estimates of a number of factors including (i) the probability of achieving the gold equivalent resource targets, (ii) future gold prices and (iii) the net sales proceeds from the sale of the Gold Springs Project.

4 Receivables and prepaids

| | June 30, 2021 | December 31, 2020 |
|---|--------------------------|------------------------------|
| | \$ | \$ |
| GST receivable | 11,402 | 6,644 |
| Other receivables | - | 13,783 |
| Other prepaids and advances | 119,923 | 202,694 |
| Receivables from sale of the Escalones property (note 5) | 378,341 | 685,061 |
| | 509,666 | 908,182 |
| Less: long term receivable from sale of the Escalones property (note 5) | (378,341) | (356,171) |
| | 131,325 | 552,011 |

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5 Investment in associate

On May 31, 2019, the Company and its wholly-owned subsidiary, Escalones Resource Corp. (“ERC”) entered into a definitive share purchase agreement, as amended (the “Share Purchase Agreement”), with Wealth Minerals Ltd. (“Wealth”) and its then wholly-owned subsidiary, Wealth Copper Ltd., subsequently renamed to World Copper Ltd., (“World Copper”), a company incorporated in British Columbia, pursuant to which, World Copper agreed to acquire from ERC all of the issued and outstanding shares of the Company’s subsidiaries SASC Metallurgy Corp. and Escalones Copper Corp. (the “Purchased Shares”), and thereby 100% of the Company’s Chilean subsidiary, TriMetals Mining Chile SCM, and its interest in the Escalones property (the “Escalones Transaction”). The Escalones Transaction closed on September 26, 2019. On June 18, 2021, World Copper began trading its issued and outstanding common shares on the basis of one (1) post-Consolidation Share for every three (3) pre-Consolidation Shares. The share and per share amounts have been restated to give effect to the 3:1 share consolidation.

As consideration to the Company for the purchase of the Escalones property, World Copper:

- (i) issued 8,333,333 common shares in its capital (each, a “World Copper Share”) to ERC (received);
- (ii) will pay the Company an aggregate of \$754,638 (Cdn\$1,000,000) in cash (the “Cash Consideration”) of which \$112,790 (Cdn\$150,000) was paid in 2018, and credited against the Cash Consideration, and Cdn\$350,000 due upon closing of the Concurrent Financing (as defined below, received) and Cdn\$500,000 due on the 12-month anniversary of the closing of the Concurrent Financing; and
- (iii) granted the Company a 2% net smelter returns royalty payable on production from those mining rights or exploitation concessions that supersede or shall derive from the Escalones Exploration Concessions if the price of copper is greater than US\$0.75 per pound or a 1% net smelter returns royalty if the copper price is equal to or less than US\$0.75 per pound (the “Royalty”). The Royalty is subject to a buyback right pursuant to which the Royalty may be purchased for US\$3 million at any time during the 5 years following the first sale of minerals produced from such mining rights or exploitation concessions, and US\$5 million after such 5-year period. In calculating the loss from disposition of the Escalones property, a \$nil value was ascribed to the Royalty due to uncertainty of occurrence.

World Copper also agreed to reimburse the Company for the 2019 land payments of the Escalones property of \$54,000 upon closing of the Concurrent Financing (received).

At closing of the Escalones Transaction, the Company held 8,333,333 World Copper Shares and 8,333,333 World Copper Shares were held by Wealth, which collectively represented 85.2% of the issued and outstanding World Copper Shares, excluding any World Copper Shares to be issued in connection with the Concurrent Financing.

World Copper entered into a letter of intent with Allante Resources Ltd. (TSXV: ALL.H) (“Allante”) dated June 7, 2019 in respect of a reverse take-over transaction (the “Going-Public Transaction”), whereby Allante (which, as a result of the closing of the Going-Public Transaction on January 18, 2021 is the “Resulting Issuer”) acquired all of the issued and outstanding World Copper Shares from Wealth and ERC and continued the business of World Copper in exchange for the issuance of common shares in the capital of Allante to the World Copper shareholders on a one (1) for one (1) basis. As contemplated in the Share Purchase Agreement, in connection with the Going-Public Transaction, World Copper completed private placement financings to raise an aggregate

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of at least Cdn\$5,000,000 (the “Concurrent Financing”) before April 30, 2021, and raised at least Cdn\$2,000,000 prior to the closing of the Going-Public Transaction (the Concurrent Financing completed on January 12, 2021).

Pursuant to the Share Purchase Agreement, the Company’s ownership interest in the Resulting Issuer is not to be less than 30% immediately after giving effect to the Going-Public Transaction and the Concurrent Financing and the Company is to be granted the right to participate in future equity financings of the Resulting Issuer to allow the Company to maintain up to its pro rata ownership interest in the equity capital of the Resulting Issuer. In addition, following closing of the Going-Public Transaction, the Company and Wealth were each granted the right to nominate one director to the board of directors of the Resulting Issuer for so long as each holds at least 20% of the issued and outstanding shares of the Resulting Issuer.

During the six months ended June 30, 2021, World Copper issued 9,010,489 units at Cdn\$0.36 per unit for gross proceeds of Cdn\$3,243,766. Each unit consisted of a common share and warrant exercisable into a common share at a price of Cdn\$0.60 until July 27, 2025. In addition, World Copper issued 888,889 common shares at Cdn\$0.36 per share to settle a loan payable of Cdn\$320,000. In connection with the Going Public Transaction World Copper issued 4,891,865 common shares to the Company to maintain the Company’s 30% pro-rata interest in the Resulting Issuer, and a special warrant, whereby the Company will be entitled to receive up to an additional 8,148,901 common shares upon the deemed exercise of the special warrant. The special warrant will be deemed to be exercised on a proportionate basis at the time common share purchase warrants issued by World Copper, as part of the Concurrent Financing, are exercised by the warrant holders.

On initial recognition, in absence of available market information on the value of World Copper’s shares, the Company estimated the value of the common shares of World Copper to equal Cdn \$0.30/share, being the price per common share applicable to the financings completed by World Copper prior to closing of the Escalones Transaction, totalling an initial recognition cost of \$1,887,000. As at June 30, 2021 the Company owns 30% (2020 – 29.81%) of the issued and outstanding common shares of World Copper. Subsequent to June 30, 2021 the Company entered into an irrevocable commitment to sell 100% of its shares in World Copper for aggregate proceeds of Cdn \$4,364,315 (Note 16).

The Company’s investment in associate as at June 30, 2021 and the changes for the period then ended are as follows:

| | June 30, 2021 |
|---|----------------------|
| | \$ |
| Balance, December 31, 2020 | 1,394,345 |
| Share of loss, and gain on dilution, of equity accounted investee | (456,222) |
| Foreign exchange | 32,157 |
| Balance, June 30, 2021 | 970,280 |

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(Unaudited - Expressed in U.S. dollars)

The following is a summary of World Copper's financial information on a 100% basis as at June 30, 2021 and December 31, 2020.

| | June 30, 2021 | December 31, 2020 |
|--|--------------------------|------------------------------|
| | \$ | \$ |
| Cash and cash equivalents | 442,268 | 259,696 |
| Total current assets (other than cash) | 55,985 | 37,350 |
| Total non-current assets | 5,723,299 | 3,709,784 |
| Total current liabilities | (503,606) | (580,775) |
| Total non-current liabilities | (448,507) | (767,781) |
| Net asset value | 5,269,439 | 2,658,274 |
| | June 30, 2021 | June 30, 2020 |
| | \$ | \$ |
| Net loss for the period | 1,981,438 | 466,441 |
| Proportionate share of net loss* | 456,222 | 198,858 |

*30% ownership as at June 30, 2021. The proportionate share of net loss is net of a dilution gain of \$135,709 recorded during the six months ended June 30, 2021.

6 Mining claims and deferred exploration costs

Mining claims and deferred exploration costs are associated with the following projects:

| | Gold Springs |
|-----------------------------------|---------------------|
| | \$ |
| Balance, December 31, 2020 | 18,830,813 |
| Land and option payments | 25,500 |
| Laboratory | 79,795 |
| Field supplies | 3,066 |
| Camp | 20,889 |
| Geologists and personnel | 213,650 |
| Drilling | 504,183 |
| Environmental and permitting | 161,845 |
| Travel and accommodation | 57,295 |
| Trenching | 89,954 |
| Share-based payments | 10,009 |
| | 1,166,186 |
| Balance, June 30, 2021 | 19,996,999 |

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(Unaudited - Expressed in U.S. dollars)

Gold Springs, USA

The Gold Springs mineral property was acquired through the 2013 acquisition of High Desert Gold Corporation (“HDG”).

During the year ended December 31, 2017 the Company increased the size of the Gold Springs property by entering into lease and surface use agreements. Pursuant to the agreements, the Company has entered into a 30 year lease beginning on October 25, 2017 for the mineral rights on certain patented mining claims and a 30 year surface use agreement on certain homestead lands upon payment as follows: \$41,035 paid on execution of the agreement, \$40,000 on October 25, 2018 (paid), \$45,000 on October 25, 2019 (paid), \$50,000 on October 25, 2020 (paid) and \$55,000 on each anniversary until October 25, 2047. In addition, upon commencement of commercial production, the Company is to pay the lessor a 3% net smelter returns royalty. The Company has the right and option, prior to commencement of commercial production, to buy back 0.5% of the net smelter returns royalty for the sum of \$1,000,000, payable within 60 days from and after commencement of commercial production.

As at June 30, 2021 the Company had \$504,452 (2020 - \$470,131) of cash on direct deposit with Nevada and Utah land and environmental regulatory authorities for future remediation costs. The cash on deposit represents the amounts to meet the expected remediation costs as advised by those regulatory authorities.

7 Restricted cash and redemption liability

On November 4, 2019 the Class B shares of the Company were redeemed for \$0.09827 per Class B share for an aggregate redemption amount of \$11,436,186. On November 5, 2019 the Class B shares were delisted from the TSX and the OTCQB. As at June 30, 2021 there was \$449,597 (December 31, 2020 - \$449,794) of redemption funds remaining held in trust with Company’s Transfer Agent, and representing amounts not yet claimed for redemption by prior Class B shareholders.

8 Loan payable

In May 2020, the Company received \$32,272 (CAD \$40,000) in the form of a Canada Emergency Business Account (“CEBA”) loan. CEBA is part of the economic assistance program launched by the Government of Canada to ensure that businesses have access to capital during the COVID-19 pandemic and can only be used to pay non-deferrable operating expenses. During the period from receipt of the CEBA loan to December 31, 2022, the “Initial Term”, no interest is charged on the amount outstanding and should at least CAD\$ 30,000 be repaid on or before the end of the Initial Term the remaining CAD \$10,000 of principal will be forgiven. During the period from January 1, 2023 to December 31, 2025 (the “Extended Term”), should the loan remain outstanding, interest will be payable monthly at rate of 5% per annum on the outstanding balance. The balance of the CEBA loan is fully repayable on or before the end of the Extended Term, if not repaid on or before the end of the initial Term.

9 Advances for Gold Springs Project exploration costs

On April 27, 2021 and June 24, 2021, the Company closed the first and second tranches, respectively, of a non-brokered financing for a resource expansion program (the “Resource Expansion Financing Program”). The first tranche closing was for a total of \$2,000,000 Series A Secured Rights of the Company and the second tranche closing was for a total of \$1,000,000 Series A Secured Rights of the Company (collectively, the “Series A Secured Rights”). Investors in each of the first and second tranches (the “Series A Secured Rights Investors”) were also

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issued 2,000,000 common share purchase warrants and 1,000,000 common share purchase warrants, respectively, (collectively, “Secured Rights Warrants”), with each Secured Rights Warrant entitling the holder to purchase one common share of the Company for a period of two years at a price of Cdn\$0.11 and Cdn\$0.14, respectively, per share.

The Company wishes to raise an aggregate of \$20 million under the Resource Expansion Financing Program to fund exploration activities at the Gold Springs Project with the view to significantly expanding the gold and silver resources of the project to a minimum of 3 million gold-equivalent ounces, and to thereafter sell the Gold Springs Project or the Company (an “Exit Transaction”) to a third party (an “Acquirer”).

Proceeds received under the Resource Expansion Financing Program, are to be used, among others, to fund resource-expansion and -definition drilling, extensive metallurgical testing, the completion of a preliminary feasibility study, the completion of an environmental impact statement and work required to obtain a mine permit. Upon the occurrence of an Exit Transaction, the Series A Secured Rights Investors of the first \$10 million raised under the Resource Expansion Financing Program will be entitled to receive 1.5% of the net sale proceeds for every \$1 million invested.

During the three and six months ended June 30, 2021, the Company recognized a non-cash finance charge, representing accounting accretion for the period, of \$8,193 (June 30, 2020 - \$nil) in the condensed consolidated statements of loss (Note 3). The aggregate fair value of Secured Rights Warrants issued of \$155,236 was recognized as a transaction cost against the proceeds received from the issuance of the Series A Secured Rights.

The balance of the Series A Secured Rights outstanding as at June 30, 2021 and the changes for the six months then ended are as follows:

| | Jun 30, 2021 |
|--|---------------------|
| | \$ |
| Balance, December 31, 2020 | - |
| Issuance of Series A Secured Rights | 3,000,000 |
| Legal and other issuance costs | (110,075) |
| Fair value of Secured Rights Warrants issued | (155,236) |
| Initial carrying value | 2,734,689 |
| Finance charge accretion | 8,193 |
| Balance, June 30, 2021 | 2,742,882 |

10 Share capital

Authorized

An unlimited number of common shares without par value and up to 127,328,790 Class B shares without par value.

The holders of the common shares are entitled to one vote per share. The holders of the common shares are entitled to dividends, when and if declared by the directors of the Company. No dividends have ever been declared or paid as at June 30, 2021.

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On November 4, 2019 the Company redeemed the Class B shares at a price of US\$0.09827 per share for an aggregate redemption amount of \$11,436,186. On November 5, 2019 the Class B shares were delisted from the TSX and the OTCQB. As at June 30, 2021 there was \$449,597 (December 31, 2020 - \$449,794) of redemption funds remaining held in trust with Company's Transfer Agent, and representing amounts not yet claimed for redemption by prior Class B shareholders.

Financings

There were no share capital financing activities in the six-month period ended June 30, 2021 and 2020.

Stock options

The Company's stock options outstanding as at June 30, 2021 and the changes for the six months then ended are as follows:

| | Number of options | Weighted average exercise price (per share) | Weighted average remaining life (years) |
|------------------------------------|-------------------|---|---|
| | | Cdn \$ | |
| Balance – December 31, 2020 | 19,130,000 | 0.10 | 1.23 |
| Exercised ¹ | (3,000,000) | 0.07 | |
| Expired | (1,627,500) | 0.27 | |
| Granted | 3,475,000 | 0.12 | |
| Balance – June 30, 2021 | 17,977,500 | 0.07 | 1.22 |
| Exercisable – June 30, 2021 | 16,527,502 | 0.08 | 0.97 |

¹ The 3,000,000 options were exercised during the three months ended June 30, 2021 and were exercised on a cash less basis resulting in the issuance of 1,240,520 common shares of the Company. Upon exercise of the options \$83,454, representing the previously recognized grant date fair value of the options exercised, was transferred from contributed surplus to share capital.

During the three and six months ended June 30, 2021, the Company recorded share-based payments, in respect of the vesting of previously granted stock options and newly granted options, of which \$64,790 and \$66,819, respectively (2020 - \$6,926 and 24,435, respectively) was recorded as a charge to operations, and \$10,009 was included in deferred exploration costs for the six months ended June 30, 2021 (2020 - \$969).

The weighted average grant date fair value of options granted during the six months ended June 30, 2021 was \$0.06 per share (2020 - \$nil per share). The fair value of each option grant during the six months ended June 30, 2021 was estimated at the time of the grant using the Black-Scholes option pricing model with assumptions for grants as follows:

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| | 2021 |
|---|-------------|
| Weighted average exercise price | Cdn. \$0.12 |
| Weighted average grant date share price | Cdn. \$0.12 |
| Risk-free interest rate | 0.37% |
| Expected life | 3 years |
| Expected volatility | 92% |
| Dividend rate | 0% |

Grant date share price is the closing market price on the date the options were granted. Expected volatility was determined by measuring the historical volatility of the Company's share price. The historical period used to measure historical volatility was the same as the expected life of the options granted.

The balance of options outstanding as at June 30, 2021 is as follows:

| Expiry date | Exercise price Cdn\$ | Number of options outstanding | Number of options exercisable |
|--------------------------------|---------------------------------|--|--|
| October 10, 2021 | 0.285 | 250,000 | 250,000 |
| November 21, 2021 | 0.225 | 50,000 | 50,000 |
| November 27, 2021 | 0.05 | 1,850,000 | 1,850,000 |
| February 8, 2022 | 0.055 | 200,000 | 200,000 |
| April 8, 2022 | 0.06 | 6,500,000 | 6,500,000 |
| May 1, 2022 | 0.045 | 2,000,000 | 2,000,000 |
| May 9, 2022 | 0.045 | 500,000 | 500,000 |
| June 12, 2022 | 0.30 | 1,702,500 | 1,702,500 |
| September 9, 2022 ¹ | 0.08 | 1,250,000 | 2,250,000 |
| August 31, 2023 | 0.145 | 200,000 | 66,667 |
| June 11, 2024 | 0.120 | 3,475,000 | 1,158,335 |
| | | 17,977,500 | 16,527,502 |

¹ Subsequent to June 30, 2021, a total of 1,000,000 options with an exercise price of Cdn\$0.08 were exercised on a cashless basis resulting in the issuance of 466,667 common shares (Note 15).

All of the outstanding options have associated share appreciation rights which allow the optionees to exercise their options on a cashless basis resulting in a lesser number of common shares to be issued to the optionee pursuant to their exercise.

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Warrants

The Company's warrants outstanding as at June 30, 2021 and the changes for the six months then ended are as follows:

| | Number of warrants | Weighted average exercise price (per share) Cdn\$ | Weighted average remaining life (years) |
|--------------------------------|-----------------------|--|--|
| Balance – December 31, 2020 | - | - | - |
| Issued ¹ | 3,000,000 | 0.12 | |
| Balance – June 30, 2021 | 3,000,000 | 0.12 | 1.88 |

¹ During the six months ended June 30, 2021, the Company issued 3,000,000 Secured Rights Warrants to the Series A Secured Rights Investors as part of the Resource Expansion Financing Program. Each Secured Rights Warrant shall entitle the holder to purchase one common share of the Company for a period of two years, with 2,000,000 of the Secured Rights Warrants exercisable at an exercise price of Cdn\$0.11 and 1,000,000 of the Secured Rights Warrants exercisable at an exercise price of Cdn\$0.14. The aggregate fair value of the Secured Rights Warrants issued of \$155,189 was recognized as a transaction cost against the proceeds received from the issuance of the Series A Secured Rights (Note 9).

The weighted average grant date fair value of Secured Rights Warrants issued during the six months ended June 30, 2021 was \$0.05 per share (2020 - \$nil per share). The fair value of each Secured Rights Warrant issued during the six months ended June 30, 2021 was estimated at the time of the issuance using the Black-Scholes option pricing model with the following assumptions:

| | 2021 |
|---|-------------|
| Weighted average exercise price | Cdn. \$0.12 |
| Weighted average issue date share price | Cdn. \$0.12 |
| Risk-free interest rate | 0.36% |
| Expected life | 2 years |
| Expected volatility | 92% |
| Dividend rate | 0% |

Issue date share price is the closing market price on the date the Secured Rights Warrants were issued. Expected volatility was determined by measuring the historical volatility of the Company's share price. The historical period used to measure historical volatility was the same as the expected life of the Secured Rights Warrants issued.

The balance of warrants outstanding as at June 30, 2021 is as follows:

| Expiry Date | Exercise Price Cdn\$ | Number of warrants outstanding |
|----------------|-------------------------|-----------------------------------|
| April 27, 2023 | 0.11 | 2,000,000 |
| June 24, 2023 | 0.14 | 1,000,000 |
| | | 3,000,000 |

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11 Related party transactions

Key management includes all the Officers and Directors of the Company. The compensation paid or payable to key management for services during the three and six months ended June 30, 2021 and 2020 is as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|----------------------|-----------------------------|---------|---------------------------|---------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Directors' fees | 20,100 | 14,400 | 34,500 | 27,000 |
| Professional fees | 8,556 | 7,105 | 14,600 | 21,792 |
| Share-based payments | 68,689 | 6,767 | 69,500 | 23,911 |
| Wages and benefits | 80,255 | 75,000 | 172,755 | 150,000 |
| | 177,600 | 103,272 | 291,355 | 222,703 |

Included in accounts payable and accrued liabilities at June 30, 2021 is an amount of \$76,228 (December 31, 2020 - \$12,836) due to related parties. These amounts are non-interest bearing and have no specific terms of repayment.

The Company incurred the following additional expenditures with related parties during the three and six months ended June 30, 2021 and 2020:

| | Three months ended June 30, | | Six months ended June 30, | |
|-------------------|-----------------------------|--------|---------------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Financing fees | 41,975 | - | 41,975 | - |
| Professional fees | 39,218 | 23,570 | 84,871 | 53,597 |
| | 81,193 | 23,570 | 126,846 | 53,597 |

In addition, during the three months ended June 30, 2021, the President and Chief Executive Officer, and Director of the Company, invested in \$2 million (2020 - \$nil) of the Series A Secured Rights (see Note 9).

12 Contingencies and Pledge

The Company may be subject to various contingent liabilities that occur in the normal course of operations. The Company is not aware of any pending or threatened proceedings that would have a material adverse effect on the consolidated financial condition or future results of the Company.

Resource Expansion Financing Program

Under the terms of the Resource Expansion Program, the Company has given certain warranties and covenants to the Series A Secured Rights Investors, including a guarantee for its obligations under the funding agreement, and it has pledged 25% of the issued and outstanding shares of its U.S subsidiary corporation that beneficially owns the Gold Springs Project (the "Gold Spring Subsidiary").

Under the terms of the Resource Expansion Financing Program, if the Company is subject to a successful hostile take-over bid the Series A Secured Rights Investors are entitled to receive a cash payment equal to 5 times their amount invested and if the Company fails to comply with general obligations of the Resource Expansion Program, the Investors are entitled to a similar payment.

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13 Segment information

The Company's operations are limited to a single industry segment, being mineral exploration and development. Geographic segment information of the Company's assets and liabilities as at June 30, 2021 and December 31, 2020 is as follows:

| | June 30, 2021 | December 31, 2020 |
|---------------------------------|------------------|----------------------|
| Identifiable assets | \$ | \$ |
| Canada | 5,267,827 | 4,262,952 |
| United States | 20,749,863 | 19,453,476 |
| Total assets | 26,017,690 | 23,716,428 |
| | June 30, 2021 | December 31, 2020 |
| Identifiable liabilities | \$ | \$ |
| Canada | 3,369,038 | 696,293 |
| United States | 315,086 | 60,618 |
| Total liabilities | 3,684,124 | 756,911 |

Geographic segmentation of the Company's net earnings (loss) for the three and six months ended June 30, 2021 and 2020 is as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---------------------|-----------------------------|-----------|---------------------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ |
| Bolivia | - | (19,395) | - | (51,348) |
| Canada | (435,529) | (187,700) | (855,269) | (484,787) |
| United States | (18,868) | (24,039) | (56,208) | (52,793) |
| Net earnings (loss) | (454,397) | (231,134) | (911,477) | (588,928) |

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14 Supplemental cash flow information

The Company conducted non-cash investing activities during the six months ended June 30, 2021 and 2020 as follows:

| | June 30, 2021 | June 30, 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| Investing activities | | |
| Deferred exploration costs included in accounts payable | 280,719 | 12,247 |
| Deferred exploration costs included in accounts payable as at December 31, 2020 and 2019 respectively | (18,403) | (517) |
| Financing activities | | |
| Exercise of options | 83,454 | - |
| Issue costs, Secured Rights Warrants | 155,236 | - |
| Share-based payments included in deferred exploration costs | 10,009 | 969 |

Cash and cash equivalents as at June 30, 2021 and 2020 was comprised solely of cash.

15 Financial instruments

The Company's financial instruments as at June 30, 2021 consist of cash and cash equivalents, receivables, reclamation deposits, accounts payable, redemption obligations, advances for Gold Springs Project exploration costs and loan payable which are all classified as amortized cost.

Fair Value of Financial Instruments

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.

- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

The Company's activities expose it to a variety of financial risks: market risk (including, primarily, currency risk and interest rate risk), credit risk and liquidity risk. There have been no changes in any risk management policies since December 31, 2020. At June 30, 2021 the Company's primary exposure to financial instrument risk is from exposure to currency exchange rate risks to the extent of its activities in the U.S. and/or in currencies which are not the functional currency of the economic environment in which the Company or its subsidiaries operate. Based on this exposure as at December 31, 2020 a 5% change in exchange rates could give rise to a change in the net loss by approximately \$194,000 (December 31, 2020 - \$96,000), which is primarily driven by the parent Company's USD cash balance of \$3.3 million at (December 31, 2020 \$1.6 million) (because the parent Company

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has a Canadian Dollar functional currency). The Company does not use derivative financial instruments to reduce its foreign exchange exposure.

16 Subsequent events

Subsequent to June 30, 2021, the following events occurred:

- (a) 1,000,000 stock options were exercised at a price of Cdn\$0.08 on a cashless basis resulting in the issuance of 466,667 common shares.
- (b) 7,650,000 stock options were granted at an exercise price of Cdn\$0.175 per common share. 1,250,000 of the stock options granted vest as to (i) 1/3 immediately upon grant, (ii) 1/3 nine months from the date of grant and (iii) 1/3 eighteen months from the date of grant. 6,400,000 options will vest contingent upon the occurrence of certain milestones.
- (c) The Company, and its wholly owned subsidiary Escalones Resource Corp., entered into an unconditional irrevocable agreement to sell its shares in World Copper shares to Wealth Minerals, or to an alternate purchaser to be identified by Wealth Minerals (the "Sale Agreement"). Under the Sale Agreement, Wealth Minerals will purchase or arrange for the purchase of 13,225,198 common shares of World Copper held by the Company for an aggregate purchase price of \$4,364,315 and will close, with payment in full, on or before October 22, 2021.