Southern Arc
MINERALS INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019

(Expressed in Canadian dollars)

KPMG LLP
Chartered Professional Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Southern Arc Minerals Inc.

Opinion

We have audited the consolidated financial statements of Southern Arc. Minerals Inc. ("the Company"), which comprise:

- the consolidated statements of financial position as at June 30, 2020 and June 30, 2019;
- the consolidated statements of net income (loss), comprehensive income (loss), cash flows and changes in equity for the years then ended; and
- notes to the consolidated statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements which describes that the Company has no current sources of revenue and does not have sufficient cash to fund future investing activities. These conditions, along with other matters as set forth in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 the 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 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 auditors’ report to the related disclosures in the 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 auditors’ 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 financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

– 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.

– Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Guy Elliott, CPA, CA.

Vancouver, Canada
October 26, 2020

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at		**June 30, 2020**		**June 30, 2019**
Assets				
Current				
Cash	$	349,773	$	435,968
Receivables		61,358		64,211
Prepaid expenses and other deposits		29,130		45,041
Investments (Note 4)		1,122,690		1,515,900
		1,562,951		2,061,120
Investments (Note 4)		6,111,198		8,584,045
Investments in associates (Note 3, 4)		7,628,221		6,795,954
Property and equipment (Note 5)		6,713		14,270
Right-of-use asset (Note 6)		19,087		-
Total assets	**$**	**15,328,170**	**$**	**17,455,389**
Liabilities				
Current				
Accounts payable and accrued liabilities	$	143,882	$	50,636
Derivative liability (Note 4)		-		1,539,137
Lease liabilities (Note 6)		25,633		-
Total liabilities		169,515		1,589,773
Shareholders' equity				
Capital stock (Note 7)		77,171,731		75,437,533
Treasury stock (Note 7)		(1,170,000)		(1,170,000)
Equity reserve (Note 7)		12,447,338		12,570,902
Accumulated other comprehensive income (loss)		(1,715,892)		655,170
Deficit		(71,574,522)		(71,627,989)
Total shareholders' equity		15,158,655		15,865,616
Total liabilities and shareholders' equity	**$**	**15,328,170**	**$**	**17,455,389**

Nature of operations and going concern (Note 1)
Subsequent events (Notes 4c and 12)

Approved by the Board of Directors and authorized for issuance on October 26, 2020:

On behalf of the Board of Directors

"John Proust" Director *"Morris Klid"* Director

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)
(Expressed in Canadian dollars)

		June 30, 2020		June 30, 2019
Expenses				
Depreciation	$	93,876	$	21,363
Consulting		-		447,987
Office and miscellaneous		206,763		216,911
Management fees (Note 8)		430,000		747,000
Exploration expenses		-		51,679
Foreign exchange loss (gain)		(7,984)		23,055
Investor relations		5,244		90,180
Professional fees		211,836		306,353
Rent		-		162,997
Salaries and benefits		-		233,113
Transfer agent and filing fees		42,257		73,907
Travel		449		90,437
Share-based compensation		-		251,245
Loss before other items		**(982,441)**		**(2,716,227)**
Other income (expense)				
Interest and other income		340,783		17,815
Interest expense		(24,470)		(26,113)
Realized and unrealized loss on investments (Note 3, 4)		(236,613)		(392,131)
Equity loss from investment in associate (Note 3)		(1,200,903)		(1,149,642)
Gain on disposition of investment in associate (Note 4)		-		654,651
Gain (loss) on fair value adjustment on derivative liability		1,539,137		(1,246,848)
Gain on disposition of subsidiary (Note 3)		-		7,420,102
Gain on sale of property		-		1,629,375
Gain on dilution of investment in associate (Note 3)		901,293		148,032
		1,319,227		7,055,241
Net income before income taxes	**$**	**336,786**	**$**	**4,339,014**
Income tax (expense) recovery		(283,319)		283,190
Net income for the year	**$**	**53,467**	**$**	**4,622,204**
Net income (loss) attributable to:				
Shareholders of Southern Arc Minerals Inc.	$	53,467	$	5,442,472
Non-controlling interests		-		(820,268)
	$	**53,467**	**$**	**4,622,204**
Basic income per share	$	0.00	$	0.38
Diluted income per share	$	0.00	$	0.35
Weighted average shares outstanding		17,261,105		14,389,616
Diluted weighted average shares outstanding		17,786,686		15,681,522

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)

Year ended		June 30, 2020		June 30, 2019
Net income for the year	$	53,467	$	4,622,204
Other comprehensive income (loss)				
Items that may not be subsequently reclassified to profit/loss:				
Change in fair value of investments		(2,786,258)		2,137,280
Net income tax expense related to available for sale investments		283,319		(283,190)
Items that may be subsequently reclassified to profit/loss:				
Reclassification of foreign currency translation adjustment to net income on loss of control subsidiary		-		(220,473)
Cumulative foreign currency translation adjustment		131,877		235,519
		(2,371,062)		1,869,136
Total comprehensive income (loss) for the year	**$**	**(2,317,595)**	**$**	**6,491,340**
Comprehensive income (loss) attributable to:				
Shareholders of Southern Arc Minerals Inc.	$	(2,317,595)	$	7,201,102
Non-controlling interests		-		(709,762)
	$	**(2,317,595)**	**$**	**6,491,340**

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

Year ended	June 30, 2020	June 30, 2019
Cash flows from operating activities		
Net income for the year	$ 53,467	$ 4,622,204
Items not affecting cash:		
Depreciation	93,876	21,363
Income tax expense (recovery)	283,319	(283,190)
Gain on collection of bad debt and on sale of royalty	-	(1,629,375)
Gain on debt settlement	(156,813)	-
Equity loss from investment in associate (Note 3)	1,200,903	1,149,642
Realized and unrealized loss (gain) on investments (Note 4)	236,613	392,131
Gain on disposition of subsidiary (Note 3)	-	(7,420,102)
Gain on disposition of investment in associate (Note 4)	-	(654,651)
Loss (gain) on fair value adjustment on derivative liability	(1,539,137)	1,246,848
Gain on dilution of investment in associate (Note 3)	(901,293)	(148,032)
Foreign exchange loss	-	41,563
Interest expense	24,470	26,113
Share-based compensation	-	251,245
Changes in non-cash working capital items:		
Receivables and prepaid expenses	18,762	(211,985)
Accounts payable, accrued liabilities and other long-term liabilities	93,247	552,136
Net cash used in operating activities	(592,586)	(2,044,090)
Cash flows from (used in) investing activities		
Advances to associate	(1,100,000)	(125,000)
Proceeds from repayment of loans receivable advances from associates	100,000	1,305,696
Investment in subsidiary/associate	(1,575,014)	(1,500,000)
Sale of shares of subsidiary/associate	1,575,014	1,500,000
Loan from related party	-	648,350
Cash used to acquire investment in associate	-	(695,520)
Cash used to acquire investments	-	(750,000)
Redemption of short-term investment	-	600,000
Proceeds from collection of bad debt and sale of royalty from associates	-	1,629,375
Exploration and evaluation assets	-	(706,228)
Net cash (used in) provided by investing activities	(1,000,000)	1,906,673
Cash flows from financing activities		
Cash received from private placement	1,036,434	-
Cash received from exercise of options and warrants	574,200	-
Lease payments	(104,243)	-
Net cash provided by financing activities	1,506,391	-
Change in cash during the year	**(86,195)**	**(137,417)**
Cash, beginning of the year	435,968	573,385
Cash, end of the year	**$ 349,773**	**$ 435,968**

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

SOUTHERN ARC MINERALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Capital Stock		Attributable to shareholders of Southern Arc Minerals Inc.						
	Number of shares	Capital Stock	Treasury Stock	Equity Reserve	Accumulated Other Comprehensive Income (loss)	Deficit	Total	Non-controlling Interest	Total Equity
Balance, June 30, 2018	**14,389,616**	**$ 75,437,533**	**$ (1,170,000)**	**$ 13,926,387**	**$ (1,103,460)**	**$ (77,070,461)**	**$ 10,019,999**	**$ 1,404,503**	**$ 11,424,502**
Net income for the year	-	-	-	-	-	5,442,472	5,442,472	(820,268)	4,622,204
Loss of control of subsidiary	-	-	-	(1,606,730)	-	-	(1,606,730)	(694,741)	(2,301,471)
Share-based compensation	-	-	-	251,245	-	-	251,245	-	251,245
Other comprehensive loss	-	-	-	-	1,758,630	-	1,758,630	110,506	1,869,136
Balance, June 30, 2019	**14,389,616**	**$ 75,437,533**	**$ (1,170,000)**	**$ 12,570,902**	**$ 655,170**	**$ (71,627,989)**	**$ 15,865,616**	**$ -**	**$ 15,865,616**
Net income for the year	-	-	-	-	-	53,467	53,467	-	53,467
Shares issued for private placement, net of issuance cost	3,000,000	1,036,434	-	-	-	-	1,036,434	-	1,036,434
Shares issued for exercise of options and warrants	1,785,000	697,764	-	(123,564)	-	-	574,200	-	574,200
Other comprehensive loss	-	-	-	-	(2,371,062)	-	(2,371,062)	-	(2,371,062)
Balance, June 30, 2020	**19,174,616**	**$ 77,171,731**	**$ (1,170,000)**	**$ 12,447,338**	**$ (1,715,892)**	**$ (71,574,522)**	**$ 15,158,655**	**$ -**	**$ 15,158,655**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Southern Arc Minerals Inc. ("Southern Arc" or "the Company") was incorporated in British Columbia, Canada on August 19, 2004. The Company is a Canadian company focused on creating value through project generation and strategic investments in mineral resource companies with a focus on gold and copper-gold. The Company's head office is located at Suite 650 - 669 Howe Street, Vancouver, British Columbia, Canada, V6C 0B4.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company does not currently generate any revenues or have operations that generate cash flows. Accordingly, the Company relies on funding received from the sale of investments and financing received from the issuance of common shares or loans and borrowings to finance its strategic investment activities and general and administrative costs. Subsequent to June 30, 2020, the Company distributed certain of its investment securities with a carrying value of $12,369,266 to the shareholders of the Company (note 12). Subsequent to the distribution, the Company's business plan is to continue making strategic investments in resource companies with a focus on gold and copper-gold. Based on current plans, budgeted general and administration expenditures and funds received after June 30, 2020 on exercise of options and warrants (note 12), the Company has sufficient cash to finance its general and administrative expenses and other current obligations for the twelve-month period to June 30, 2021. However, the Company will be required to obtaining additional financing in order to fund additional investments or exploration projects. While the Company has been successful at securing financing in the past, there can be no assurance that it will be able to do so in the future.

On March 11, 2020, the novel coronavirus outbreak ("COVID-19") outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the Company's business are not known at this time. These impacts could include an impact on the Company's ability to obtain debt and equity financing to fund ongoing investing activities as well as the Company's ability to conduct business.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These consolidated financial statements are presented on a historical cost basis, except for financial assets classified as fair value through other comprehensive income, or derivatives, including warrants.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and the results from operations of Japan Gold Corp. until December 21, 2018, the date on which the Company lost control of Japan Gold Corp. (Note 3).

Significant intercompany balances and transactions have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated interim financial statements include estimates which, by their nature, are uncertain. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future conditions and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited, to the following:

i) The calculation of share-based compensation requires estimates of volatility, forfeiture rates and market prices related to the issuance of share options, if any. These estimates impact share-based compensation expense and share-based payment reserve.

ii) The determination of fair value of investments in non-tradable warrants and call option issued on certain shares of Tethyan Resources Plc, which are derivative instruments, requires assumptions with respect to volatility, expected life and discount rates. Changes in these assumptions impact mark to market gains and losses recognized in profit or loss.

Critical accounting judgements

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

i) The Company's assessment of its ability to continue as a going concern requires judgements about whether sufficient financing will be obtained as required. See Note 1.

ii) The classification of the Company's investments as an investment in associate or financial assets through other comprehensive income is determined by reviewing whether the Company has significant influence based on the percentage of holdings and other qualitative factors. The Company's investments held as investment in associate is subject to evaluation of significant and prolonged declines in value. The Company considers an investment to be impaired if there is a decline of 20% or more of an investment's quoted market price that persists for period of nine months or more.

Property and equipment

Vehicles, furniture, computers, and field equipment are recorded at cost and amortized on a straight-line basis over the estimated useful lives of the assets currently estimated to be four years.

Depreciation of vehicles, computers and field equipment are allocated to exploration properties when equipment is used in exploration activities.

Property consists of land and building. Land is carried at cost and building is carried at cost, less accumulated amortization. Amortization on building is calculated using the straight-line method over 5 years.

Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease or the life of the underlying asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar, except Japan Gold's wholly owned subsidiary in Japan prior to the loss of control which had a Japanese Yen functional currency. Transactions in currencies other than the functional currency of an entity are recorded at the exchange rates prevailing on dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss.

The assets and liabilities for entities whose functional currency is other than the Canadian dollar are translated at the exchange rate in effect on the balance sheet date and revenues and expenses are translated at the exchange rates prevailing on dates of transactions. Exchange gains and losses resulting from such translation are included in a separate component of shareholders' equity.

Income (Loss) per share

The Company presents basic per share data for its common shares, calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the net income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. In reporting periods when a loss is incurred, potential issuance of shares would be anti-dilutive and, therefore, basic and diluted loss per share are the same.

Leases

Prior to the adoption of IFRS 16 *Leases ("*IFRS 16*")* on July 1, 2019, the Company recognized operating lease payments as an expense on a straight-line basis over the term of the operating lease. Effective July 1, 2019, IFRS 16 was effective for the Company and it has applied the following policy effective July 1, 2019 (see Changes in accounting policies below):

At the inception of a contract, an assessment is made as to whether a contract is or contains a lease. A contract is or contains a lease if the contract offers the right to control the use of a specific asset, for a period of time, in exchange for consideration. To determine whether a contract conveys the right to control the use of an identified asset, the following criteria are considered:

- The contract involves the use of an identified asset that is physically distinct or represents substantially all of the capacity of a physically distinct asset. No asset is identified if the supplier of the assets has substantive substitution rights;
- Whether the Company has the right to obtain substantially all of the economic benefits from the asset throughout the agreement term; and
- Whether the Company has the right to direct the use of the asset and change how and for what purpose the asset is used.

A right-of-use asset and a corresponding lease liability are recognized on the date a leased asset is available for use by the Company. Assets and liabilities arising from the lease determination are initially measured on a present value basis of the following payments:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

- Fixed payments, less any lease incentives receivable;
- Amounts expected to be payable by the lessee under any residual value guarantees;
- The exercise of a purchase option if the lessee is reasonably certain to exercise that option;
- Restoration costs; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate is used to calculate the present value. The Company's borrowing rate is the rate that the Company, as the lessee, would pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions..

The lease term is comprised of the non-cancellable period of the lease contract, as well as options to terminate or extend the lease term if the exercise of either option is reasonably certain.

Right-of-use assets are subsequently measured at cost less depreciation on a straight-line basis and reduced to reflect impairment losses (if any) and adjusted for any remeasurement of the lease liability. After the lease commencement date, lease liabilities are measured at amortized cost using the effective interest method, which increases the liability amount to reflect interest on the lease liability and reduced the lease liability by lease payments made, and also reflects any remeasurement or lease modifications. If a remeasurement to the lease liability is deemed necessary, a corresponding adjustment is also made to the carrying value of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. Right-of-use assets are depreciated over the shorter of lease term and useful life of the underlying asset.

Payments related to short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss over the respective lease terms. Short-term leases are leases with a lease term of 12 months or less.

Employee benefits

Short term employee benefits are expensed as the related services are performed. The Company has no other employee benefit plans other than share-based payment transactions.

Share-based payment transactions

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in share-based payment reserve. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for employee options is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the non-employee provides the goods or the services.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which these deductions can be applied. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value. The Company determines each financial instrument's classification upon initial recognition. Measurement in subsequent periods depends on the financial instrument's classification.

Financial assets

Financial assets are classified as: Fair value through profit and loss ("FVTPL"), Fair value through other comprehensive income ("FVOCI") and financial assets subsequently measured at amortized cost.

a) <u>Amortized cost</u>

The Company classifies financial assets as subsequently measured at amortized cost if both of the following conditions are met:

- the financial asset is held with the objective to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI"). This is referred to as the SPPI test.

Financial assets measured at amortized cost are recognized using the effective interest rate ("EIR") method and are subject to impairment. Interest received is recognized as part of finance income. Gains and losses are recognized when the asset is derecognized, modified or impaired.

The Company's financial assets subsequently measured at amortized cost include cash and deposits and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Fair value through other comprehensive income

Financial assets that meet the following conditions are measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income ("OCI"). Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instrument, instead, it is transferred to retained earnings.

The Company classifies its investment in common shares of Tethyan Resources Corp., PT Ancora Indonesia Resources Tbk and Rise Gold Corp. as FVTOCI.

c) Financial assets at fair value through profit and loss

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at FVTPL are recognized in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

The Company classifies its investments in warrants of Japan Gold Corp., Tethyan Resources Corp., and Rise Gold Corp. as FVTPL.

Financial liabilities

Derivative liabilities are measured at fair value initially and on each reporting date with changes in fair value recognized in profit or loss. All other financial liabilities of the Company are initially measured at fair value net of issue costs and are subsequently measured at amortized cost using the effective interest rate method.

A financial liability is derecognized when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates

Associates are entities over which the Company has significant influence but not control, generally when the Company's shareholding is between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other equity changes of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Company's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate is equal to or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value and recognises the amount in profit or loss. Subsequently, if there is objective evidence that the circumstances that led to the impairment have reversed, an impairment charge may be reversed but only to an amount equal to the original cost of the investment less the Company's share of accumulated losses.

Profits and losses resulting from upstream and downstream transactions between the Company and its associates are recognised in the Company's consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies and disclosures

Effective July 1, 2019, the Company adopted IFRS 16, Leases, which replaces IAS 17 and introduces a single lessee accounting model. IFRS 16 requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

IFRS 16 was applied using the modified retrospective approach, where the cumulative effect of initial application is recognized in deficit on July 1, 2019, with no restatement of comparative figures.

As permitted by IFRS 16, on transition, the Company elected not to apply IFRS 16 to leases whose term end within 12 months of the date of initial application. Judgment was applied on adoption of IFRS 16 in evaluating lease renewal and termination options and determining the discount rate used measure the lease liability. On transition, lease liabilities were measured at present value of the remaining lease payments under the agreement term. The Company elected to measure the right-of-use assets at an amount equal to the corresponding lease liabilities on the transition date which resulted in no adjustment to deficit on transition.

On adoption of IFRS 16, the Company recognized an increase in right-of-use assets and lease liabilities of $336,164 related to its office lease. The incremental borrowing rate used to measure the lease liabilities recognized on adoption of IFRS 16 was 10%. On adoption of IFRS 16, the Company's payments related to arrangements that meet the definition of a lease under IFRS 16 are no longer recognized as an expense in office and miscellaneous but rather are recognized as a reduction in the lease obligation and as finance expense for interest on the lease obligation. Depreciation expense is now recognized on the right of use assets.

3. DECONSOLIDATION OF SUBSIDIARY AND INVESTMENT IN ASSOCIATE

Japan Gold Corp.

On September 15, 2016, the Company's then wholly owned subsidiary, Japan Gold KK ("JG KK"), combined with Sky Ridge Resources ("Sky Ridge"), a publicly listed entity ("the Acquisition"). Upon completion of the Acquisition and a concurrent $7 million financing, Sky Ridge consolidated its shares on a one-for-two basis and changed its name to Japan Gold Corp. ("Japan Gold"). In exchange for the Company's interest in JG KK, Southern Arc received 23,750,000 post-consolidation common shares of Japan Gold, representing approximately 42.9% of the issued and outstanding shares of Japan Gold on an undiluted basis. Japan Gold is a mineral exploration company which focuses on the acquisition and exploration of resources properties in northern Hokkaido, northern Honshu and Kyushu, Japan.

The Company determined that it had control of Japan Gold at the time of the Acquisition because of common key management personnel, board representation and the large block of shares the Company owns relative to the other shareholders of Japan Gold. Accordingly, the Company consolidated Japan Gold from the date of Acquisition. The Company subsequently increased its interest to 53.06% in 2017 through acquisition of an additional 12,500,000 common shares and warrants.

(Expressed in Canadian dollars)

3. DECONSOLIDATION OF SUBSIDIARY AND INVESTMENT IN ASSOCIATE (continued)

On December 21, 2018, Japan Gold completed a private placement of $6,650,000 which resulted in the issuance of 44,333,334 common shares at a price of $0.15 per share. The Company purchased 10,000,000 shares under this offering and concurrently effected a private sale of 10,000,000 Japan Gold shares at $0.15 per share. As a result of the private placement, the Company's ownership in Japan Gold decreased from 53.06% to 31.90% of the issued and outstanding common shares of Japan Gold. The Company determined as a result of the dilution, it had lost control of Japan Gold as at December 21, 2018. As the Company's interest allows the Company to exert significant influence over Japan Gold, the Company's remaining interest is now accounted for as an interest in associate using the equity method. The Company's remaining interest in Japan Gold was recognized at its fair value on December 21, 2018 based on the quoted market price of Japan Gold's common shares and the fair value of the warrants determined using a Black-Scholes pricing formula. The difference between the carrying value of the net assets of Japan Gold and non-controlling interest and the value assigned to the shares and warrants retained of $7,420,102 was recognized as a gain on loss of control of subsidiary.

The following information summarizes the deconsolidation of Japan Gold as at December 21, 2018:

Fair value of retained interest in Japan Gold	
36,250,000 shares at $0.23 per share (quoted market price)	$ 8,337,500
12,500,000 warrants at $0.094 per warrant	1,170,760
Fair value of retained interest in associate	9,508,260
Net assets of Japan Gold	
Cash	-
Receivables	152,871
Prepaids and deposits	139,459
Exploration and evaluation assets	5,069,217
Property and equipment	581,248
Accounts payable and accrued liabilities	(1,010,834)
Related party loan	(1,174,446)
Net assets of subsidiary	$ 3,757,515
Non-controlling interest's share of share-based payment reserve	754,143
Derecognition of non-controlling interest in subsidiary	694,741
Derecognition of foreign exchange amount in accumulated other comprehensive income	220,473
Gain on loss of control of subsidiary	$ 7,420,102

Up to the date of loss of control (for the period from July 1, 2018 to December 21, 2018), Japan Gold had no revenues and net loss of Japan Gold for this period was $1,747,611 excluding certain inter-company eliminations, which has been included in net income of the company.

On August 22, 2019, Japan Gold completed a private placement of 26,448,763 units at a price of $0.27 per unit. Each unit consisted of one common share of Japan Gold and one-half of a transferable common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of Japan Gold at a price of $0.42 per common share for a period of 24 months from closing. The Company purchased 1,648,200 units under this offering and concurrently effected a private sale of 1,648,200 Japan Gold common shares at $0.27 per share. As a result of the private placement, the Company's ownership in Japan Gold decreased from 31.90% to 25.87%.

(Expressed in Canadian dollars)

3. DECONSOLIDATION OF SUBSIDIARY AND INVESTMENT IN ASSOCIATE (continued)

On March 9, 2020, the Company advanced an unsecured, non-interest-bearing loan to Japan Gold in the principal amount of $1,000,000. This loan had a six-month term maturing on September 9, 2020. In consideration for the loan, the Company received a cash fee of 5% of the amount of the loan ($50,000) and 500,000 non-transferable share purchase warrants of Japan Gold. Each warrant entitles the Company to purchase one common share of Japan Gold at $0.40 per share until March 9, 2021. The fair value of these warrants was determined to be $35,609 using the Black-Scholes pricing model and the following weighted average assumptions: Risk-free interest rate – 1.58%; expected volatility – 75%; share price of $0.32 and strike price - $0.40; expected life of warrants – 1 year.

On May 22, 2020 and June 1, 2020, Japan Gold completed private placements of a total of 34,278,000 units at a price of $0.25 per unit. Each unit consisted of one common share of Japan Gold and one half of a transferable common share purchase warrant exercisable at $0.40 per share for a period of 24 months. Of the units issued by Japan Gold, 4,000,000 units were issued to the Company in exchange for the settlement of the $1,000,000 loan. The Company recognized a gain on the settlement of the loan of $156,813 as the fair value of the shares and warrants received exceeded the carrying value of the loan. The Company also purchased an additional 4,520,000 units under the above offering and concurrently effected private sales of 4,520,000 Japan Gold common shares at $0.25 per share. As a result of the private placements and settlement of the loan, the Company's ownership in Japan Gold decreased from 25.87% to 23.08%.

A gain on dilution of $901,293 was recognized in net income for the year ended June 30, 2020 in respect of the decreases in percentage owned.

A continuity of the Company's investment in associate relating to Japan Gold is as follows:

		June 30, 2020
Balance - December 21, 2018	$	-
Fair value of retained interest in associate		9,508,260
Company's share of Japan Gold share-based payment reserve		(852,587)
Reclassify fair value of warrants to investments		(1,170,760)
Share of net loss for the period		(688,959)
Balance - June 30, 2019	$	6,795,954
Share of net loss for the year		(1,200,903)
Share of net comprehensive income for the year		131,877
Additional investment		1,000,000
Gain on dilution of investment in associate		901,293
Balance - June 30, 2020	$	7,628,221

As at June 30, 2020, the fair value of the 40,250,000 Japan Gold common shares owned by the Company was $12,075,000 based on the quoted market price and the fair value of the 18,084,100 warrants held was $1,370,153 (note 4).

(Expressed in Canadian dollars)

4. INVESTMENTS

The following table summarizes the Company's investments as at June 30, 2020 and June 30, 2019:

	June 30, 2020			June 30, 2019		
	Number of securities		Fair Value	Number of securities		Fair Value
Investment in shares of Rise Gold Corp. (Note 4a)	2,750,000	$	2,585,000	2,750,000	$	1,512,500
Investment in warrants of Rise Gold Corp. (Note 4a)	2,462,500		287,134	2,462,500		175,818
Investment in shares of PT Ancora Indonesia Resources Tbk. (Note 4b)	100,000,000		816,000	100,000,000		1,515,900
Investment in shares of Tethyan Resources Corp. (Note 4c)	10,028,119		2,156,045	10,028,119		5,314,903
Investment in warrants of Tethyan Resources Corp. (Note 4c)	754,949		19,556	754,949		215,032
Investment in warrants of Japan Gold Corp.	18,084,100		1,370,153	12,500,000		1,365,792
Total investments		**$**	**7,233,888**		**$**	**10,099,945**
Classified as current			(1,122,690)			(1,515,900)
Total non-current investments		**$**	**6,111,198**		**$**	**8,584,045**

a) Rise Gold Corp.

On April 18, 2018, the Company participated in a non-brokered private placement of Rise Gold Corp. ("Rise Gold"), a company listed on the Canadian Securities Exchange. The Company purchased 2,000,000 units of Rise Gold at a price of $1.00 per unit for $2,000,000. Each unit consisted of one share of common stock and one share purchase warrant. Each warrant is exercisable into one share at a price of $1.50 per share until April 18, 2021.

On November 6, 2018, the Company purchased 750,000 units in Rise Gold at a price of $1.00 per unit for a purchase price of $750,000 by way of a private placement. Each unit consisted of one share of Rise Gold's common stock and one-half of one share purchase warrant. Each whole warrant is exercisable into one additional share of Rise Gold's common stock at an exercise price of $1.30 per share until November 6, 2020. Along with this purchase, the Company also received 87,500 share purchase warrants as a finder's fee. These finder's fee warrants have an exercise price of $1.30 per warrant and expire on October 16, 2020. Following the investment, the Company owns approximately 18.84% of Rise Gold's issued and outstanding shares of common stock. The Company recorded a loss of $254,176 on initial recognition of the common shares and warrants as their fair value was less than the cost to acquire these securities.

As at June 30, 2020, the Company owns approximately 12.47% of Rise Gold's issued and outstanding shares of common stock. The fair value of the Company's investment in shares of Rise Gold was $2,585,000 (June 30, 2019: $1,512,500) based on quoted market price of $0.94 per share for 2,750,000 shares. As a result, the Company recorded an unrealized gain of $1,072,500 in accumulated other comprehensive income for the year ended June 30, 2020 (June 30, 2019: $737,500).

(Expressed in Canadian dollars)

4. INVESTMENTS (continued)

As at June 30, 2020, the fair value of Rise Gold's warrants (total of 2,462,500 warrants) is $287,134 (June 30, 2019: $175,818). During the year ended June 30, 2020, the Company recorded an unrealized gain on Rise Gold warrants of $111,316 (June 30, 2019: $496,208) in net income. The following assumptions have been used to calculate the fair value of Rise warrants using the Black-Scholes model:

		June 30, 2020		June 30, 2019
Risk-free interest rate		0.25%		1.62%
Expected life of options (in years)		0.35-0.80		1.80
Annualized volatility		78%-91%		75.00%
Share price	$	0.94	$	0.60
Exercise price		$1.30-$1.5	$	1.50
Forfeiture rate and dividend rate		0.00%		0.00%

On December 16, 2019, Rise Gold completed a ten for one share consolidation. The number of shares and share price above have been adjusted to reflect the share consolidation.

b) PT Ancora Indonesia Resources, Tbk.

As at June 30, 2020, the Company owns 100 million shares of PT Ancora Indonesia Resources, Tbk ("PT Ancora") representing 5.66% of PT Ancora's issued and outstanding common shares. PT Ancora is an Indonesian company listed on the Indonesia Stock Exchange (OKAS:IJ). The Company has classified its investment in PT Ancora as a financial asset at fair value through other comprehensive income with changes in fair value recorded in other comprehensive income (loss). As at June 30, 2020, these shares had a fair market value of $816,000 (June 30, 2019: $1,515,900) based on the then quoted market price of $0.008 per share resulting in the recognition of an unrealized loss of $699,900 (June 30, 2019: loss of $434,500) in other comprehensive income (loss).

c) Tethyan Resource Corp.

As at June 30, 2020, the Company held a total of 10,028,119 (June 30, 2019: 10,028,119) common shares of Tethyan Resource Corp ("Tethyan"). Tethyan is a TSX Venture quoted junior exploration company with a focus on exploring for copper and gold within the Western Tethyan Orogenic Belt in Serbia.

During the year ended June 30, 2019, the Company recognized a gain on dilution on its then equity accounted investment in Tethyan of $148,032 as a result of issuance of shares by Tethyan on conversion of certain loans.

On January 30, 2019, Tethyan closed a non-brokered private placement by issuing 16,580,000 units at a price of $0.20 per unit for gross proceeds of $3,316,000. The Company did not participate in this offering and as a result, the Company's interest in Tethyan decreased from 22.53% to 13.81%. As a result of the decrease in the Company's interest, the Company concluded that it no longer has significant influence over Tethyan and reclassified its investment in Tethyan common shares from investment in associate to a financial asset at fair value through other comprehensive income.

(Expressed in Canadian dollars)

4. INVESTMENTS (continued)

c) Tethyan Resource Corp. (continued)

A continuity of the Company's equity accounted investment in Tethyan is as follows:

Balance - June 30, 2018	$	1,356,402
Acquisition of additional investment	$	14,932
Gain on dilution of equity investment		148,032
Share of net loss for the period up to January 30, 2019		(460,683)
Disposition of investment in associate		(1,058,683)
Balance - June 30, 2019	$	-

In connection with Tethyan's non-brokered private placement, the Company granted an exclusive call option to Augusta Investments Inc. ("Augusta") to purchase up to 5,000,000 Tethyan common shares held by the Company. The call option was valid for a period of 18 months and was exercisable at a price of $0.25 per share for a total purchase price of up to $1,250,000. In addition to the call option and at the request of Augusta, the Company also deposited all of its 10,028,119 common shares of Tethyan (including the 5,000,000 shares subject to the call option) into escrow for a period of 18 months.

Upon concluding that the Company no longer had significant influence over Tethyan, the Company recorded its investment in Tethyan at fair value using the quoted market price on January 30, 2019 of $0.20 per share for a total of $2,005,624 and recognized a gain on loss of significant influence in associate of $946,941 in the year ended June 30, 2019. The Company also recognized $292,289 in derivative liability relating to the fair value of Augusta's call option at January 30, 2019. As a result, the net gain on loss of significant influence in associate recognized in net income for the year ended June 30, 2019 was $654,651.

On May 6, 2020, the Company and Augusta agreed to terminate the call option for no consideration. The Company recognized a gain of $1,539,137 during the year ended June 30, 2020 (2019 – loss of $1,246,848) in net income related to the change in fair value of the call option. As at June 30, 2020, the Company's interest in Tethyan's shares was 12.54%.

The following parameters were used to calculate the fair value of the derivative liability on January 30, 2019 and June 30, 2019:

		January 30, 2019		June 30, 2019
Risk-free interest rate		1.62%		1.62%
Expected life of options (in years)		1.50		1.09
Annualized volatility		75%		75%
Share price	$	0.20	$	0.53
Exercise price	$	0.25	$	0.25
Forfeiture rate and dividend rate		0.00%		0.00%

As at June 30, 2020, the fair value of Tethyan shares was $2,156,045 (June 30, 2019: $5,314,903). As a result, the Company recorded an unrealized loss of $3,158,858 in accumulated other comprehensive income for the year ended June 30, 2020.

(Expressed in Canadian dollars)

4. INVESTMENTS (continued)

c) Tethyan Resource Corp. (continued)

As at June 30, 2020, the Company owns 754,949 warrants of Tethyan which have a fair value of $19,556 resulting in an unrealized loss of $195,476 (June 30, 2019: gain of $215,032) on Tethyan warrants recorded in net income for the year ended June 30, 2020. These warrants are exercisable at $0.35 and expire on June 29, 2021. The following assumptions have been used to calculate the fair value of Tethyan warrants using the Black-Scholes model:

		June 30, 2020		June 30, 2019
Risk-free interest rate		0.25%		1.62%
Expected life of options (in years)		1.00		2
Annualized volatility		69.00%		75.00%
Share price	$	0.22	$	0.53
Exercise price	$	0.35	$	0.35
Forfeiture rate and dividend rate		0.00%		0.00%

On October 7, 2020, Tethyan announced the completion of a business combination with Adriatic Metals plc (“Adriatic”) where Adriatic has acquired all of the common shares of Tethyan by way of a court approved plan of arrangement. The Company received 0.166 of one ordinary share of Adriatic for each common share of Tethyan held or 1,664,668 shares. The Company also received 0.166 of one share purchase warrant of Adriatic for each share purchase warrant of Tethyan or 125,322 warrants.

d) Japan Gold Corp.

As at June 30, 2020, the Company valued the 18,084,100 warrants of Japan Gold at $1,370,153 (June 30, 2019 - 12,500,000 warrants of Japan Gold at $1,365,792) and recorded an unrealized loss on these warrants of $152,453 in net income for the year ended June 30, 2020. The following assumptions were used to fair value these warrants:

		June 30, 2020		June 30, 2019		December 21, 2018
Risk-free interest rate		0.25%		1.62%		1.62%
Expected life of options (in years)		.42-2.11		3.00		3.64
Annualized volatility		63% - 75%		75.00%		75.00%
Share price	$	0.30	$	0.27	$	0.23
Exercise price	$	0.40 - 0.42	$	0.40	$	0.40
Forfeiture rate and dividend rate		0.00%		0.00%		0.00%

(Expressed in Canadian dollars)

5. PROPERTY AND EQUIPMENT

Cost	**Equipment**	**Office furniture**	**Leasehold Improvements**	**Land and buildings**	**Total**
At June 30, 2018	$ 842,120	$ 30,222	$ 29,660	$ 182,268	$ 1,084,270
Foreign currency translation adjustment	36,829	-	-	16,596	53,425
Deconsolidation of subsidiary (Note 3)	(878,949)	-	-	(198,864)	(1,077,813)
At June 30, 2019 and 2020	$ -	$ 30,222	$ 29,660	$ -	$ 59,882
Accumulated depreciation					
At June 30, 2018	$ 301,737	$ 8,397	$ 16,887	$ 62,819	$ 389,840
Depreciation capitalized in exploration and	107,104	-	-	23,871	130,975
Depreciation expenses	-	7,555	12,773	1,035	21,363
Deconsolidation of subsidiary (Note 3)	(408,841)	-	-	(87,725)	(496,566)
At June 30, 2019	$ -	$ 15,952	$ 29,660	$ -	$ 45,612
Depreciation expenses	-	7,557	-	-	7,557
At June 30, 2020	$ -	$ 23,509	$ 29,660	$ -	$ 53,169
Total carrying value, June 30, 2019	**$ -**	**$ 14,270**	**$ -**	**$ -**	**$ 14,270**
Total carrying value, June 30, 2020	**$ -**	**$ 6,713**	**$ -**	**$ -**	**$ 6,713**

6. LEASES

Right-of-use assets	
Balance, - July 1, 2019	$ -
Adoption of IFRS 16	336,164
Lease modification	(230,758)
Depreciation for the year	(86,319)
Balance - June 30, 2020	$ 19,087

Lease liabilities	
Balance, - July 1, 2019	$ -
Adoption of IFRS 16	336,164
Lease payments	(104,243)
Lease modification	(230,758)
Interest	24,470
Balance - June 30, 2020	$ 25,633

The lease liability and right of use asset relate to office space in Vancouver with annual lease payments of approximately $113,000. The lease was to expire on June 30, 2023.

On March 30, 2020, the Company provided notice to terminate the lease agreement effective on September 30, 2020. As a result of the modification to the lease, the Company re-measured the lease liability using the remaining lease payments discounted using an incremental borrowing rate of 10% and recognized a reduction in the lease liability and in the lease asset of $230,758.

For the year ended June 30, 2020, the Company recognized rent payments of approximately $13,000 in net income for arrangements considered to be low value. For the year ended June 30, 2019, the Company recognized rent payments of $117,200 for the above leased premises and arrangement considered to be low value

(Expressed in Canadian dollars)

7. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of an unlimited number of common shares without par value. As at June 30, 2020, 19,304,616 (June 30, 2019 – 14,519,616) are issued of which 19,174,616 (June 30, 2019 – 14,389,616) are outstanding and 130,000 (June 30, 2019 – 130,000) are in treasury.

On November 1, 2019, the Company closed the first tranche of a non-brokered private placement through the issuance of 2,150,000 common shares at a price of $0.35 per share for gross proceeds of $752,500. No finder's fees were paid in connection with the financing. On January 6, 2020, the Company closed the final tranche of this non-brokered private placements through the issuance of 850,000 common shares at a price of $0.35 per share for gross proceeds of $297,500. The Company incurred issuance costs of $13,566 in connection with this financing. 2,000,000 of these shares were issued to an individual/entities related to the Company's Chief Executive Officer and 155,050 shares were issued to a director of the Company.

Earnings (loss) per share

Basic income (loss) per share is the net income (loss) available to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted net earnings (loss) per share adjusts basic net income (loss) per share for the effects of potential dilutive common shares.

The calculations of diluted weighted average number of shares outstanding as at June 30, 2020 and 2019 are as follows:

	2020	2019
Basic weighted average number shares outstanding	17,261,105	14,389,616
Dilutive securities:		
Options	134,254	287,200
Warrants	391,327	1,004,706
Diluted weighted average number of shares outstanding	17,786,686	15,681,522

(Expressed in Canadian dollars)

7. SHAREHOLDERS' EQUITY (continued)

Share options

The Company grants share options in accordance with its share option plan and the policies of the TSX Venture Exchange. The number of shares reserved for issuance under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. The terms of the option, including the vesting terms and the option price, are fixed by the directors at the time of grant subject to the price not being less than the market price of the Company's shares on the date of grant. The share options granted are exercisable for a period of up to ten years, as determined by the board of directors at the time of grant. A summary of the Company's outstanding share options granted is presented in the following table.

	Number of Options	Weighted Average Exercise Price
Outstanding at June 30, 2018	899,000	$ 0.32
Granted	577,000	$ 0.35
Expired	(30,000)	$ 0.32
Outstanding at June 30, 2019	1,436,000	$ 0.33
Exercised	(300,000)	$ 0.33
Outstanding at June 30, 2020	1,136,000	$ 0.33

As at June 30, 2020, all outstanding stock options are fully vested and exercisable. The Company had share options outstanding as follows:

	Number of Options	**Exercise Price**	**Expiry Date**
Options	659,000	$ 0.32	November 26, 2020
	477,000	$ 0.35	December 14, 2023
	1,136,000		

Out of the 300,000 options exercised during the year, 280,000 of them were exercised by a related party.

Share purchase warrants

As at June 30, 2020, 2,581,667 (June 30, 2019: 4,066,667) warrants remain outstanding exercisable into common shares of the Company at $0.32 until January 26, 2021.

1,485,000 warrants were exercised during the year ended June 30, 2020 of which 1,355,000 were exercised by a director of the Company.

(Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS

Key management and personnel compensation

Key management personnel include the directors and officers of the Company. Key management compensation consists of the following:

		Year ended June 30, 2020		Year ended June 30, 2019
Management fees	$	430,000	$	747,000
Share-based compensation		-		161,659

The management fees are paid to a private company controlled by the Chief Executive Officer and Chairman of the Company. In the year ended June 30, 2019, $282,000 related to management fees incurred by Japan Gold which prior to December 21, 2018 was accounted for as a subsidiary. Management fees include administrative, finance, accounting, investor relations and consulting services.

The above transactions are recorded at the consideration established and agreed to by the related parties.

During the year ended June 30, 2020, the Company charged Japan Gold $138,515 (June 30, 2019: $138,374) for rent and certain other office expenses. As at June 30, 2020, $37,836 (June 30, 2019: $47,059) of these fees were included in accounts receivable.

On April 24, 2020, the Company advanced additional $100,000 to Japan Gold. This balance was repaid shortly thereafter. The Company received a cash financing fee of $5,000 on this advance.

(Expressed in Canadian dollars)

9. INCOME TAXES

A reconciliation of income taxes at statutory rates of 27% with reported taxes is as follows:

		2020		2019
Income for the year, before income taxes	$	336,786	$	4,339,014
Expected income tax expense	$	90,932	$	1,171,534
Items not taxable for income tax purposes		(135,393)		(1,279,905)
Effect of change in tax rate		-		(147,847)
Tax benefits unrecognized (recognized)		327,780		(26,972)
Total income tax expense (recovery)	$	283,319	$	(283,190)

Deferred income tax assets have not been recognized for the following temporary differences as management does not believe, based on estimated future taxable income that it is probable that the benefit of these temporary differences will be realized:

		2020		2019
Non-capital loss carry forwards	$	18,831,112	$	16,832,770
Capital loss carry forwards		-		5,355,000
Lease liability		25,633		-
Share issuance costs		-		1,853
Cumulative exploration expenses		5,238,148		5,820,165
Investment		4,546,135		-
Property and equipment		13,029		24,589
		28,654,057		28,034,377

During the years ended June 30, 2020 and 2019, the Company recognized the following income tax assets (liabilities):

		2020		2019
Investments		-		(340,124)
Non-capital loss carryforward		-		340,124
	$	-	$	-

The Company has accumulated losses for deduction against future years' Canadian taxable income, which expire as follows:

2031	$	2,677,396
2032		3,763,442
2033		3,103,710
2034		3,298,960
2035		2,079,608
2036		1,493,116
2038		1,058,953
2039		120,032
2040		1,235,895
	$	18,831,112

(Expressed in Canadian dollars)

10. SEGMENTED INFORMATION

The Company conducts its business as a single operating segment focused on the acquisition and exploration of resource properties and investments. As at June 30, 2020 and June 30, 2019, all of the Company's assets and liabilities are in Canada. Net income by geographic area is as follows:

For the year ended June 30,	2020	2019
Net income for the year - Canada	$ 53,467	$6,369,815
Net loss for the year – Japan	-	(1,747,611)
Net income for the year	$ 53,467	$4,622,204

11. FINANCIAL INSTRUMENTS

The nature of the Company's operations exposes the Company to credit risk, liquidity risk and market risk, which may have a material effect on cash flows, operations and comprehensive income.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and to monitor market conditions and the Company's activities. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and policies.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company currently does not have any significant credit risk.

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal year. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. See also Note 1.

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on the Company's cash is minimal. The Company is not currently exposed to material foreign currency risk. The quoted market price of Rise Gold, Tethyan and PT Ancora shares are subject to fluctuations and this impacts other comprehensive income. A 1% change (plus or minus) in the price of Rise Gold, Tethyan and PT Ancora shares would change the fair value of the common shares and other comprehensive income by approximately $55,570. A 1% change (plus or minus) in the market price used in the valuation of the Company's investment in warrants would change the fair value of the warrants and net income by $87,844.

Fair value

IFRS requires disclosure about fair value measurements for financial instruments and liquidity risk using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three-level hierarchy is as follows:

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 data.

The Company's investment in common shares of Rise Gold, Tethyan and PT Ancora were recognized at fair value using the quoted market price of these instruments. Accordingly, these are classified as level 1. The Rise Gold, Tethyan and Japan Gold warrants were recognized at fair value using level 2 inputs. The fair value of the warrants were determined using a Black-Sholes option pricing formula. The carrying value of cash, receivables, deposits and accounts payable and accrued liabilities approximate their fair value due to their short-term nature.

(Expressed in Canadian dollars)

12. SUBSEQUENT EVENTS

In October 2020, the Company completed a return of capital transaction (the "Transaction") by way of a court approved plan of arrangement under the Business Corporations Act (British Columbia). Pursuant to the plan of arrangement, the Company exchanged each of its outstanding common shares for one new Class A common share and one redeemable share of the Company. The Class A common shares have similar rights as the old common shares and will continue to be listed on the TSX Venture Exchange. The redeemable shares were immediately redeemed in exchange for the distribution of the following securities to the shareholders of the Company on a pro-rata basis:

	# of securities	**Carrying value – June 30, 2020**
Common shares of Japan Gold Corp.	40,250,000	$ 7,628,221
Common shares of Rise Gold Corp.	2,750,000	2,585,000
Common shares of Adriatic Metals Plc	1,664,668	2,156,045
		$12,369,266

Subsequent to June 30, 2020, 1,012,000 options and 2,581,667 warrants were exercised for total proceeds of $1,156,713 to the Company. Options totaling 124,000 expired unexercised.