

**DISCOVERY HARBOUR RESOURCES CORP.**

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

## **NOTICE TO READER**

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

The accompanying unaudited condensed consolidated interim financial statements of Discovery Harbour Resources Corp. (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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity’s auditor.

**DISCOVERY HARBOUR RESOURCES CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in Canadian Dollars)**

	Note	June 30, 2022 \$	September 30, 2021 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash		433,961	1,086,337
Short-term investments	5	-	6,712
Amounts receivable		2,444	5,733
Prepaid expenses and deposits		13,396	8,994
Total current assets		449,801	1,107,776
<b>Non-current assets</b>			
Investments	5	1	1
Exploration and evaluation assets	6	-	1,861,403
Total assets		449,802	2,969,180
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		28,463	215,899
Due to related parties	10	-	15,514
Loan payable	7	40,000	40,000
Total liabilities		68,463	271,413
<b>Equity</b>			
Share capital	8	22,156,822	22,156,822
Contributed surplus	8	2,503,564	2,451,834
Accumulated deficit		(24,279,047)	(21,910,889)
Total equity		381,339	2,697,767
Total liabilities and equity		449,802	2,969,180

Nature of operations and going concern (Note 1)

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors:

\_\_\_\_\_ /s/ "Mark Fields" Director \_\_\_\_\_ /s/ "Andrew Hancharyk" Director

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

**DISCOVERY HARBOUR RESOURCES CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021**  
**(Expressed in Canadian Dollars)**

	Note	Three months ended		Nine months ended	
		June 30 2022 \$	June 30 2021 \$	June 30 2022 \$	June 30 2021 \$
<b>Expenses</b>					
Accounting and audit fees		6,000	9,000	34,600	21,500
Consulting fees		1,909	1,793	1,909	4,793
Insurance		3,845	3,657	11,033	9,391
Investor communications		780	2,094	6,730	7,476
Legal		3,726	3,603	12,070	10,580
Management fees	10	-	22,500	30,000	77,500
Office and administration		2,282	7,785	7,894	17,630
Salaries and benefits	10	33,892	12,872	86,052	55,795
Share-based payments	9,10	-	-	51,730	16,306
Transfer agent and filing fees		3,124	4,009	11,987	24,038
<b>Total expenses</b>		<b>(55,558)</b>	<b>(67,313)</b>	<b>(254,005)</b>	<b>(245,009)</b>
Write-off of exploration and evaluation assets	6	(2,303,290)	-	(2,119,357)	-
Interest income		-	-	-	182
Foreign exchange		42	(13,984)	3,030	(58,839)
Unrealized gain (loss) on investments		(3,240)	2,083	-	4,397
Gain on sale of investments		2,174	-	2,174	-
<b>Other expenses</b>		<b>(2,304,314)</b>	<b>(11,901)</b>	<b>(2,114,153)</b>	<b>(54,260)</b>
<b>Net loss and comprehensive loss for the period</b>		<b>(2,359,872)</b>	<b>(79,214)</b>	<b>(2,368,158)</b>	<b>(299,269)</b>
<b>Loss per common share, basic and diluted</b>		<b>(0.02)</b>	<b>(0.00)</b>	<b>(0.03)</b>	<b>(0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>94,509,294</b>	<b>94,509,294</b>	<b>94,509,294</b>	<b>94,509,294</b>

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

**DISCOVERY HARBOUR RESOURCES CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**(Expressed in Canadian Dollars)**

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	Number of Shares	Share Capital \$	Contributed Surplus \$	Accumulated Deficit \$	Total \$
Balance at September 30, 2020	94,509,294	22,156,822	2,435,528	(21,559,462)	3,032,888
Share-based payments	-	-	16,306	-	16,306
Net loss for the period	-	-	-	(299,269)	(299,269)
Balance at June 30, 2021	94,509,294	22,156,822	2,451,834	(21,858,731)	2,749,925
Balance at September 30, 2021	94,509,294	22,156,822	2,451,834	(21,910,889)	2,697,767
Share-based payments	-	-	51,730	-	51,730
Net loss for the period	-	-	-	(2,368,158)	(2,368,158)
Balance at June 30, 2022	94,509,294	22,156,822	2,503,564	(24,279,047)	381,339

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

**DISCOVERY HARBOUR RESOURCES CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021**  
**(Expressed in Canadian Dollars)**

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net loss for the period	(2,368,158)	(299,269)
Items not involving cash:		
Write-off of exploration and evaluation assets	2,119,357	-
Share-based payments	51,730	16,306
Unrealized gain on investments	-	(4,397)
Gain on sale of investments	(2,174)	-
Changes in non-cash working capital accounts:		
Amounts receivable	3,289	3,125
Due to related parties	(15,514)	(4,917)
Prepaid expenses	(4,402)	3,865
Trade and other payables	24,521	3,311
<b>Total cash used in operating activities</b>	<b>(191,351)</b>	<b>(281,976)</b>
<b>Investing activities</b>		
Expenditures on exploration and evaluation assets	(657,880)	(373,306)
Cost recoveries on exploration and evaluation assets	187,969	241,328
Redemption of term deposit	-	313,000
<b>Total cash used in investing activities</b>	<b>(469,911)</b>	<b>181,022</b>
<b>Financing activities</b>		
Proceeds from sale of investments	8,886	-
<b>Total cash provided from financing activities</b>	<b>8,886</b>	<b>-</b>
<b>Total change in cash</b>	<b>(652,376)</b>	<b>(100,954)</b>
<b>Cash, beginning</b>	<b>1,086,337</b>	<b>1,976,906</b>
<b>Cash, end</b>	<b>433,961</b>	<b>1,875,952</b>
<b>Supplemental information</b>		
Interest paid	-	-
Income taxes paid	-	-

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

# **DISCOVERY HARBOUR RESOURCES CORP.**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 1

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Discovery Harbour Resources Corp. (the “Company”) was incorporated under the Business Corporations Act of British Columbia on March 11, 2009. The Company completed a reverse takeover transaction with CVC Cayman Ventures Corp. on April 2, 2013. The Company is listed on the TSX Venture Exchange as a Tier 2 Venture Issuer having the symbol DHR-V.

The address of the Company’s corporate office and principal place of business is Suite 250 - 750 West Pender Street, Vancouver, British Columbia, Canada.

The Company has not generated revenue from operations since inception. The Company has accumulated losses of \$24,279,047 since inception and expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent upon its ability to raise financing and generate future profitable operations. As the Company is in the exploration stage, the recoverability of costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, future profitable production or proceeds from the disposition of the properties and the ability of the Company to acquire or invest in suitable projects and the attainment of profitable operations. The Company will periodically have to raise funds to continue operations, and although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements. Such adjustments could be material.

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

## **2. BASIS OF PREPARATION**

### **Statement of Compliance**

These condensed consolidated interim financial statements for the period ended June 30, 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s 2021 annual financial statements which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 26, 2022.

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 2

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

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## 2. BASIS OF PREPARATION (CONTINUED)

### Basis of Measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, 0845837 B.C. Ltd. (active) and Discovery Harbour (USA) LLC (dormant). Inter-company balances and transactions are eliminated on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2021 annual financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature of judgments and amount of changes in estimates of amounts reported in the Company's 2021 annual financial statements.

## 5. INVESTMENTS

### a) Pantera Silver Corp.

During the quarter, the Company's sold its investment in Pantera Silver Corp. ("PNTR"), which was classified as FVTPL and measured at fair value. PNTR is a public company listed for trading on the TSXV. A summary table of the Company's investment is as follows:

	Number of shares	Fair value \$
Balance, September 30, 2020	46,285	4,629
Unrealized gain	-	2,083
Balance, September 30, 2021	46,285	6,712
Unrealized gain	-	3,240
Sale of investments	(46,285)	(9,952)
Balance, June 30, 2022	-	-



# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 3

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

## 5. INVESTMENTS (CONTINUED)

### b) Stratus Aeronautics Inc.

The Company's investment in Stratus Aeronautics Inc. ("Stratus"), a private company incorporated in Canada, is classified as FVTPL and measured at fair value. The Company acquired 594,000 shares of Stratus on September 22, 2011 pursuant to a transaction to settle a \$330,000 loan agreement with Stratus. During the year ended September 30, 2014, the Company wrote down its investment down to its estimated fair value of \$1.

## 6. EXPLORATION AND EVALUATION ASSETS

Total costs incurred on exploration and evaluation assets are summarized as follows:

	Nevada Caldera \$	Nevada Caldera Extension \$	Fortuity 89 \$	Total \$
Balance at September 30, 2020	730,929	1,267	-	732,196
Exploration costs				
Assays and mapping	36,978	-	-	36,978
Drilling	876,310	-	-	876,310
Field operations	3,265	-	-	3,265
Geological and geophysical	8,040	-	-	8,040
Office, miscellaneous and travel	41,744	-	-	41,744
Sampling and analysis	27,229	-	-	27,229
	993,566	-	-	993,566
Acquisition of property				
Advance royalty	132,327	-	-	132,327
Claim rental	61,146	-	276,207	337,353
	193,473	-	276,207	469,680
Cost recoveries	(61,868)	-	(272,171)	(334,039)
Balance at September 30, 2021	1,856,100	1,267	4,036	1,861,403
Exploration costs				
Drilling	142,879	-	-	142,879
Field operations	5,166	-	-	5,166
Geological and geophysical	10,736	-	-	10,736
Office, miscellaneous and travel	15,820	-	-	15,820
Sampling and analysis	94,360	-	-	94,360
	268,961	-	-	268,961
Acquisition of property				
Advance royalty	154,691	-	-	154,691
Claim rental	16,937	-	5,334	22,271
	171,628	-	5,334	176,962
Cost recoveries	-	-	(4,036)	(4,036)
Write-off of exploration and evaluation assets	(2,296,689)	(1,267)	(5,334)	(2,303,290)
Balance at June 30, 2022	-	-	-	-

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 4

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

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## 6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

### a) Caldera Property (Nevada, USA)

On November 18, 2016, as amended February 17, 2017 and March 30, 2017, the Company signed an option agreement with Genesis Gold Corporation (the “Vendor”) to acquire a 100% interest, subject to advance minimum royalty payments and a 2% retained royalty, in the Caldera gold property (the “Property”) located in Nye County, Nevada. On December 14, 2020, Metalla Royalty & Streaming Ltd. acquired Genesis Gold Corporation with no change to the option agreement. The Company could earn its interest in the Property by making the following optional payments:

<u>Advance Minimum Royalty</u>	<u>US\$</u>
On signing (paid)	5,000
On or before June 30, 2017 (paid)	15,000
First anniversary (paid)	30,000
Second anniversary (paid)	50,000
Third anniversary (paid)	75,000
Fourth anniversary (amended per below) (paid)	100,000
Fifth anniversary (paid)	125,000
Sixth anniversary and thereafter	150,000

Beginning with the payment due on the fifth anniversary date, all annual payments would be adjusted at the rate of inflation shown in the U.S. Consumer Price Index (“CPI”) using the CPI on the fourth anniversary date as the basis for adjustment for the remainder of the option agreement term.

During the term of the option, the Company paid rentals for the unpatented mining claims to the Bureau of Land Management sufficient to keep the properties in good standing.

The Company issued to the Vendor 166,667 share purchase warrants exercisable at \$0.15 per share for a term of three years (issued June 12, 2017 with a fair value of \$13,290).

The Company could exercise the Option to acquire 100% interest, subject to annual advance minimum royalty payments and a 2% retained royalty, in the Property by requesting title transfer in writing upon having completed US\$400,000 in Advance Royalty Payment to the Vendor.

On May 22, 2020, the Company entered into a third amendment to the Caldera gold property option agreement with Genesis Gold Corporation disclosed above. The fourth anniversary advance royalty payment of US\$100,000 that was payable on or before November 16, 2020 was amended to US\$50,000 payable on or before November 16, 2020 (paid) and US\$50,000 payable on or before May 16, 2021 (paid).

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 5

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

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## 6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

### a) Caldera Property (Nevada, USA) (continued)

During the period ended June 30, 2022, the Company terminated its option to purchase the Caldera Property and accordingly wrote-off \$2,296,689 of exploration and evaluation assets.

### b) Caldera Extension Property (Nevada, USA)

On August 15, 2018, as amended September 19, 2018 and December 20, 2018, the Company signed a Letter of Intent with Ore Capital Partners Ltd. (“Ore Capital”) to acquire a 100% interest in the Caldera Extension gold property located in Nye County, Nevada, in return for a 2% net smelter royalty (“NSR”) retained by Ore Capital that the Company can purchase for \$1,000,000 for each one percentage point of the NSR. Ore Capital was a related party by reason of holding beneficial ownership of over 10% of the common shares of the Company and sharing a common director. The acquisition was completed on January 3, 2019.

During the period ended June 30, 2022, the Company terminated its option to purchase the Caldera Extension Property and accordingly wrote-off \$1,267 of exploration and evaluation assets.

### c) Fortuity 89 Property (Nevada, USA)

On March 9, 2021, as amended October 27, 2021, the Company entered into an option and earn-in agreement (“the Agreement”) with Newcrest Resources, Inc., a wholly owned subsidiary of Newcrest Mining Limited, on the Fortuity 89 property located in Nye County, Nevada.

The terms of the Agreement for Newcrest Resources, Inc. to earn an interest in the property were:

Phase	Expenditures (US\$)	Interest Earned by Newcrest Resources Inc. (%)	Total Time for Each Stage
Initial	\$ 1,500,000	Nil	To August 15, 2022
I	\$10,000,000	51	Up to 24 months
II	\$20,000,000	65	Up to 24 months
III	Completion of Positive Preliminary Economic Assessment in accordance with NI 43-101 (based on minimum of 1M oz gold)	75	Up to 24 months

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 6

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

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## 6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

### c) Fortuity 89 Property (Nevada, USA) (continued)

The initial US\$1,500,000 was a minimum commitment ("Minimum Commitment"); Phases I, II and III were at Newcrest Resources, Inc.'s election to proceed. Should Newcrest Resources, Inc. have elected to continue to Phase I, it would also pay to Discovery Harbour US\$250,000. Newcrest Resources, Inc. could withdraw from the Agreement any time after meeting the Minimum Commitment.

1. The cumulative expenditure through to the end of Phase II is US\$31,500,000. Any excess expenditures from a previous phase will be applied to the subsequent phase.
2. Newcrest Resources, Inc. may extend the Phase III period by 12 months by paying the Company US\$500,000.
3. At the end of Stage III, if Newcrest Resources, Inc. earns a 75% interest it then must acquire the Company's 25% interest at a fair value based upon parameters using standard industry valuation methods.
4. If Newcrest Resources, Inc. earns a 65% interest in Phase II, but elects to not proceed to completion of Phase III, the respective participating interests in the joint venture will revert to the Company owning 51% and Newcrest Resources, Inc. owning 49%.
5. The Company will retain a 2% NSR in a designated area of the joint venture area, provided that Newcrest Resources, Inc. has the right to buy down 0.5% at fair value after completion of Phase III.
6. During the option and earn-in period, Newcrest Resources, Inc. will reimburse the Company for advance royalty payments that Discovery Harbour must pay under the Option to Purchase Agreement for its Caldera and Fortuity 89 properties.
7. Newcrest Resources, Inc. paid the Company US\$25,000 in consideration of receiving an extension to August 15, 2022 for completion of the initial phase.

During the period ended June 30, 2022, Newcrest terminated its option to purchase the Fortuity 89 Property and the Company terminated its option on the Caldera gold property, which included Fortuity 89 (see Note 6a). Accordingly, the Company wrote-off \$5,334 of exploration and evaluation assets.

## 7. LOAN PAYABLE

On April 30, 2020, the Company received a loan from the Canadian government's Canada Emergency Business Account ("CEBA") Program in the amount of \$40,000. The CEBA is a government guaranteed loan of up to \$40,000 that is interest-free until December 31, 2022. The loan is available to help businesses with operating costs during COVID-19. Twenty-five percent of the loan amount (\$10,000) is eligible for forgiveness as long as the business pays back \$30,000 on or before December 31, 2023. If the business cannot pay back the loan by December 31, 2023, it can be converted into a 3-year term loan at an interest rate of 5%.

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 7

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

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## 8. SHARE CAPITAL AND RESERVES

### a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

The holders of common shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

There were no shares issued during the period ended June 30, 2022 and during the year ended September 30, 2021.

### b) Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares without par value. No preferred shares have been issued since the Company's inception.

### c) Share Purchase Warrants

A summary of the continuity of the Company's share purchase warrants is presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price (\$)</b>
Balance at September 30, 2020	78,396,059	0.10
Expired	(13,884,000)	0.10
Balance at September 30, 2021	64,512,059	0.10
Expired	(7,032,000)	0.11
Balance at June 30, 2022	<u>57,480,059</u>	<u>0.10</u>

The Company had outstanding and exercisable warrants as follows:

<b>Number of Warrants Outstanding</b>		<b>Exercise Price per Share (\$)</b>	<b>Expiry Date</b>
<b>June 30, 2022</b>	<b>September 30, 2021</b>		
-	1,032,000	0.15	February 25, 2022
-	6,000,000	0.10	March 31, 2022
57,480,059	57,480,059	0.10	July 17, 2023
<u>57,480,059</u>	<u>64,512,059</u>		

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 8

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

## 9. SHARE-BASED PAYMENTS

### a) Option Plan Details

The Company has a Stock Option Plan dated September 29, 2015 (the “Plan”). Because it is a rolling stock option plan, the Company may grant options to a maximum of 10% of the issued and outstanding Common Shares, from time to time, under the Plan. However, share compensation awards under all share compensation arrangements of the Company may not exceed, in aggregate, 10% of the total number of issued and outstanding Common Shares. The Plan is administered by the Board and options are granted at the discretion of the Board to eligible optionees, subject to the price restrictions and other TSX Venture Exchange Policy requirements. Options granted under the Plan are subject to vesting terms determined by the Board. The Plan was approved by the Company’s shareholders on October 28, 2015 and became effective as of that date.

A summary of the continuity of the Company’s stock options is presented below:

	June 30, 2022		September 30, 2021	
	Options Outstanding	Weighted Average Exercise Price (\$)	Options Outstanding	Weighted Average Exercise Price (\$)
Opening balance	5,075,000	0.10	5,125,000	0.11
Granted	1,625,000	0.05	300,000	0.065
Expired	(550,000)	0.11	(350,000)	0.13
Ending balance	6,150,000	0.09	5,075,000	0.10

On January 31, 2022, the Company granted 1,625,000 stock options with an exercise price of \$0.05 per share expiring January 31, 2027 to directors, employees and consultants.

On March 17, 2021, the Company granted 300,000 stock options with an exercise price of \$0.065 per share expiring March 17, 2026 to a director.

Details of stock options outstanding and exercisable as at June 30, 2022 and September 30, 2021 are as follows:

Expiry Date	Exercise Price (\$)	June 30, 2022	September 30, 2021
October 4, 2024	0.075	925,000	1,075,000
October 22, 2024	0.09	600,000	600,000
August 24, 2025	0.12	2,700,000	3,100,000
March 17, 2026	0.065	300,000	300,000
January 31, 2027	0.05	1,625,000	-
	Outstanding	6,150,000	5,075,000
	Exercisable	6,150,000	5,075,000

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 9

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

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## 9. SHARE-BASED PAYMENTS (CONTINUED)

### b) Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the period ended June 30, 2022 was \$0.03 per option (year ended September 30, 2021 - \$0.05). The fair value was determined using the Black-Scholes option-pricing model using the following assumptions:

	Period ended June 30, 2022	Year ended September 30, 2021
Expected stock price volatility	157%	123%
Risk-free interest rate	1.64%	1.01%
Dividend yield	-	-
Expected life of options	5 years	5 years
Forfeiture rate	-	-

## 10. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the exchange amount which is the amount agreed to by the Company and the related party.

### a) Key Management Compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include directors, the chief executive officer and chief financial officer of the Company.

During the period ended June 30, 2022, the Company recorded the following to key management personnel:

- \$30,000 (2021: \$75,000) in management fees to a company controlled by the Chief Executive Officer and \$53,856 (2021: \$nil) in salaries and benefits to the Chief Executive Officer. As at June 30, 2022, the Company owed \$nil to this company (September 30, 2021 - \$10,500) and \$nil to this Chief Executive Officer (September 30, 2021 - \$nil).
- \$32,196 (2021: \$51,504) in salaries and benefits to a Director and Officer of the Company. As at June 30, 2022, the Company owed \$nil to this Director (September 30, 2021 - \$5,014).
- \$nil (2020 - \$16,306) in share-based payments to related parties.

# DISCOVERY HARBOUR RESOURCES CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS – Page 10

FOR THE NINE MONTHS ENDED JUNE 30, 2022 AND 2021

(Expressed in Canadian Dollars)

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### *Fair values*

The Company's financial instruments include cash, short-term investments, amounts receivable, investments, trade and other payables, due to related parties, convertible debenture and loans payable. The fair value of these financial instruments approximates their carrying values due to the relative short-term maturity of these instruments.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	June 30, 2022		September 30, 2021	
	Fair Value \$	Carrying Value \$	Fair Value \$	Carrying Value \$
FVTPL assets (i)	433,962	433,962	1,093,050	1,093,050
Amortized cost assets (ii)	2,444	2,444	5,733	5,733
Amortized cost liabilities (iii)	68,463	68,463	271,413	271,413
(i) Cash, short-term investments, investments				
(ii) Amounts receivable				
(iii) Trade and other payables, due to related parties, loan payable				

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value on a recurring basis by level within the fair value hierarchy as follows:

As at June 30, 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash	433,961	-	-	433,961
Investments	1	-	-	1

The Company has assessed that the recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates.



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## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### *Credit risk*

Credit risk is the risk of an unexpected loss associated with a counterparty's inability to fulfill its contractual obligations. Management evaluates credit risk on an ongoing basis and monitors activities related to amounts and other receivable including the amounts of counterparty concentrations. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and cash equivalents. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk, the Company only holds its cash and cash equivalents with high credit chartered Canadian financial institutions. As at June 30, 2022, the Company has no financial assets that are past due or impaired due to credit risk defaults.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its trade and other payables, amounts due to related parties, convertible debenture and loans payable. The Company has working capital of \$381,338 as at June 30, 2022 and handles its liquidity risk through the management of its capital structure. All of the Company's financial liabilities are due on demand within one year, do not generally bear interest and are subject to normal trade terms, with the exception of the CEBA loan described in Note 7.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading, available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, loans or receivables and other financial liabilities. The Company is not exposed to significant interest rate risk as the Company has no publicly traded debt and no debt that bears variable interest. The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in gold and metal prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. The Company is exposed to foreign exchange risk because the Company's financial instruments are denominated in both Canadian dollars and US dollars, and all current exploration occurs within the United States.

# DISCOVERY HARBOUR RESOURCES CORP.

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## 12. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can support continued development of its exploration and evaluation assets, pursue the acquisition and exploration of other mineral interests, and to maintain a flexible capital structure for its projects for the benefit of its shareholders and other stakeholders. The Company is not exposed to externally imposed capital requirements.

The Company considers items included in equity to be capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities, option its properties for cash from optionees, enter into joint venture arrangements, return capital to its shareholders or adjust the amount of cash.

## 13. SEGMENTED INFORMATION

The Company has one operating segment, the exploration of mineral properties, and two geographical segments, with all current exploration activities being conducted in the United States:

	June 30, 2022			September 30, 2021		
	Canada \$	USA \$	Total \$	Canada \$	USA \$	Total \$
Current assets	449,801	-	449,801	1,107,776	-	1,107,776
Investment	1	-	1	1	-	1
Exploration and evaluation assets	-	-	-	-	1,861,403	1,861,403
Total assets	449,802	-	449,802	1,107,777	1,861,403	2,969,180