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**SABRE GOLD MINES CORP. (FORMERLY “ARIZONA GOLD CORP”)  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020  
(EXPRESSED IN CANADIAN DOLLARS)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
**Sabre Gold Mines Corp.**

### **Opinion**

We have audited the accompanying consolidated financial statements of Sabre Gold Mines Corp. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sabre Gold Mines Corp. as at June 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the consolidated financial statements, which describe the events and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Basis for Opinion**

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered



material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Julia Zhou.

*Kreston GTA LLP*

Chartered Professional Accountants  
Markham, Canada  
September 27, 2021

# Sabre Gold Mines Corp. (formerly "Arizona Gold Corp.")

## Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at June 30, 2021	As at June 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 6,796,147	\$ 378,331
Accounts receivable (note 4)	18,504	65,887
Prepaid expenses and other assets	273,493	253,649
<b>Total current assets</b>	<b>7,088,144</b>	<b>697,867</b>
<b>Non-current assets</b>		
Restricted investments (note 3)	1,043,125	1,146,909
Property, plant and equipment (note 6)	7,978,754	9,078,808
Right-of-use assets (note 5)	42,146	83,410
Mineral properties (note 7)	15,477,021	7,270,466
<b>Total assets</b>	<b>\$ 31,629,190</b>	<b>\$ 18,277,460</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 596,380	\$ 1,199,122
Convertible promissory notes payable - current portion (note 12)	-	2,522,859
Derivative financial liabilities - current portion (note 13)	-	96,170
Other loans payable (note 10)	193,594	-
Lease liability (note 8)	28,258	28,988
<b>Total current liabilities</b>	<b>818,232</b>	<b>3,847,139</b>
<b>Non-current liabilities</b>		
Lease liability (note 8)	-	31,072
Deferred revenue (note 9)	15,606,056	-
Other loans payable (note 10)	-	212,869
Promissory notes payable (note 11)	4,962,107	7,031,402
Convertible promissory notes payable (note 12)	7,667,288	5,153,264
Derivative financial liabilities (note 13)	104,651	112,616
Deferred tax liabilities (note 21)	37,615	35,394
Decommissioning liabilities (note 14)	2,190,294	2,530,645
<b>Total liabilities</b>	<b>31,386,243</b>	<b>18,954,401</b>
<b>Equity</b>		
Share capital (note 15)	149,125,159	145,408,462
Contributed surplus	14,835,649	13,457,711
Share-based payments reserve (note 16)	2,529,610	2,900,587
Warrant reserve (note 17)	2,225,361	1,787,237
Equity portion of convertible debt	129,507	-
Accumulated other comprehensive income	671,474	163,870
Deficit	(169,273,813)	(164,394,808)
<b>Total equity</b>	<b>242,947</b>	<b>(676,941)</b>
<b>Total liabilities and equity</b>	<b>\$ 31,629,190</b>	<b>\$ 18,277,460</b>

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

Nature of operations and going concern (note 1)

Commitments and contingencies (note 20)

Subsequent events (note 23)

**Approved on behalf of the Board:**

(Signed) "Claudio Ciavarella" Director

(Signed) "Tony Lesiak" Director

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended June 30, 2021	Year Ended June 30, 2020
<b>Operating expenses</b>		
Exploration and evaluation expenditures	\$ 2,218,790	\$ 3,887,727
General and administrative	67,533	58,854
Depreciation (notes 5 and 6)	165,678	402,523
Consulting fees and salaries (note 19)	753,553	393,142
Professional fees (note 19)	501,037	206,492
Business development	225,425	207,568
	<b>(3,932,016)</b>	<b>(5,156,306)</b>
Receipts from insurance claim	1,882,969	-
Loss on disposal of other assets	-	(171,105)
Finance charges	(1,380,420)	(1,667,692)
Accretion expense	(338,027)	-
Interest and other revenue	-	34,952
Fair value adjustment of derivative financial liabilities	285,892	468,524
Gain (loss) on foreign exchange	(970,229)	457,392
Share-based payments (note 16)	(471,645)	(1,100,707)
<b>Loss before income taxes</b>	<b>(4,923,476)</b>	<b>(7,134,942)</b>
Income tax recovery - deferred	44,471	50,425
<b>Net loss for the year</b>	<b>\$ (4,879,005)</b>	<b>\$ (7,084,517)</b>
<b>Other comprehensive income (loss)</b>		
Foreign exchange difference	507,604	(430,427)
<b>Total comprehensive loss for the year</b>	<b>\$ (4,371,401)</b>	<b>\$ (7,514,944)</b>
<b>Basic and diluted net loss per share</b> (note 18)	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding</b>	<b>342,050,169</b>	<b>294,299,255</b>

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

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended June 30, 2021	Year ended June 30, 2020
<b>Operating activities</b>		
Net loss for the period	\$ (4,879,005)	\$ (7,084,517)
Adjustments for:		
Depreciation	165,678	402,523
Accretion expense	338,027	596,548
Accrued interest	1,379,982	852,291
Interest on deferred revenue	751,783	-
Fair value adjustment of derivative financial liabilities	(285,892)	(468,524)
Interest income	-	(34,374)
Loss on disposal of other assets	(8,177)	171,105
Share-based payments	471,645	1,100,707
Accretion expense on decommissioning liabilities	(115,470)	9,690
Change in decommission liability	-	155,844
Deferred tax recovery	(44,471)	(50,425)
Changes in non-cash working capital items:		
Receivables	47,383	157,245
Prepaid expenses and other assets	(19,844)	(60,348)
Accounts payable and accrued liabilities	(511,268)	501,456
<b>Net cash used in operating activities</b>	<b>(2,709,629)</b>	<b>(3,750,779)</b>
<b>Investing activities</b>		
Addition of mineral properties	(7,900,180)	-
<b>Net cash used in investing activities</b>	<b>(7,900,180)</b>	<b>-</b>
<b>Financing activities</b>		
Deferred revenue	15,484,800	-
Repayment of convertible debentures	(2,770,900)	632,940
Issue of shares, net of transaction costs	4,581,002	3,109,455
Proceeds from exercise of stock options	-	275,000
Lease payments	(30,961)	(40,848)
Proceeds from other loans	-	212,869
<b>Net cash provided by financing activities</b>	<b>17,263,941</b>	<b>4,189,416</b>
<b>Effect of exchange rate changes on cash</b>	<b>(236,316)</b>	<b>(506,783)</b>
<b>Net increase (decrease) in cash</b>	<b>6,417,816</b>	<b>(68,146)</b>
<b>Cash, beginning of period</b>	<b>378,331</b>	<b>446,477</b>
<b>Cash, end of period</b>	<b>\$ 6,796,147</b>	<b>\$ 378,331</b>

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

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	<u>Reserves</u>							Total
	Share capital	Contributed surplus	Shared based payments reserve	Warrant reserves	Equity portion of convertible debt	Accumulated other comprehensive income (loss)	Deficit	
<b>Balance, June 30, 2019</b>	\$ 141,743,418	\$ 13,064,554	\$ 2,017,768	\$ 1,402,665	\$ -	\$ 594,297	\$ (157,310,291)	\$ 1,512,411
Shares issued for interest	116,815	-	-	-	-	-	-	116,815
Conversion of convertible promissory notes	660,850	-	-	-	-	-	-	660,850
Shares issued in private placement	3,207,888	-	-	-	-	-	-	3,207,888
Share issue cost	(98,433)	-	-	-	-	-	-	(98,433)
Warrants expired	-	393,157	-	(393,157)	-	-	-	-
Warrants issued with shares	(714,964)	-	-	714,964	-	-	-	-
Warrants issued with convertible debenture	-	-	-	62,765	-	-	-	62,765
Stock options exercised	492,888	-	(217,888)	-	-	-	-	275,000
Share-based payments	-	-	1,100,707	-	-	-	-	1,100,707
Net loss and comprehensive loss for the year	-	-	-	-	-	(430,427)	(7,084,517)	(7,514,944)
<b>Balance, June 30, 2020</b>	\$ 145,408,462	\$ 13,457,711	\$ 2,900,587	\$ 1,787,237	\$ -	\$ 163,870	\$ (164,394,808)	\$ (676,941)
Fair value of units issued in placement	4,284,182	-	-	716,618	-	-	-	5,000,800
Transaction costs	(567,485)	-	-	147,688	-	-	-	(419,797)
Extension of warrants	-	-	-	73,605	-	-	-	73,605
Expiry of warrants	-	869,826	-	(869,826)	-	-	-	-
Issue of warrants	-	-	-	370,039	-	-	-	370,039
Cancellation of options	-	508,112	(508,112)	-	-	-	-	-
Equity portion of convertible debt	-	-	-	-	129,507	-	-	129,507
Share-based payments	-	-	137,135	-	-	-	-	137,135
Net loss and comprehensive loss for the year	-	-	-	-	-	507,604	(4,879,005)	(4,371,401)
<b>Balance, June 30, 2021</b>	\$ 149,125,159	\$ 14,835,649	\$ 2,529,610	\$ 2,225,361	\$ 129,507	\$ 671,474	\$ (169,273,813)	\$ 242,947

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

# **Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)**

## **Notes to the Consolidated Financial Statements**

**Years Ended June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

### **1. Nature of operations and going concern**

Sabre Gold Mines Corp. ((formerly “Arizona Gold Corp.”) (“Sabre Gold” or the “Company”)) is incorporated under the laws of Canada. The principal business activities are directed towards exploring and developing the Copperstone gold property (“Copperstone”) in La Paz County, Arizona, United States. To date, the Company has not earned significant revenue as all properties are pre-production. On December 17, 2020, the Company changed its name from Kerr Mines Inc. to Arizona Gold Corp. On September 8, 2021, the Company changed its name to Sabre Gold Mines Corp.

The Company is listed on the Toronto Stock Exchange, trading under the symbol SGLD. The Company's corporate office and principal place of business is located at 250 – 200 Burrard Street, Vancouver, BC, Canada, V6C 3L6.

As at June 30, 2021, the Company had working capital of \$6,269,912 (June 30, 2020 – working capital deficit of \$3,149,272). The Company has incurred losses in previous periods and has not yet achieved profitable operations, with a current loss of \$4,879,005 for the year ended June 30, 2021 (June 30, 2020 - loss of \$7,084,517) and has an accumulated deficit of \$169,273,813 as at June 30, 2021, (June 30, 2020 - \$164,394,808) and expects to incur future losses in the development of its business and requires additional financing to continue to be able to operate, retain rights to its properties and carry out exploration and development of its properties, all of which casts significant doubt about the Company's ability to continue as a going concern

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, has 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 ability to raise funds.

These audited consolidated financial statements have been prepared on a going-concern basis and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material. While the Company expects to be able to obtain sufficient financing to continue as a going concern, it is not possible to predict whether financing efforts will be successful.

As at June 30, 2021, the Company is an emerging American gold producer advancing the restart of production at its 100-per-cent-owned, fully permitted past-producing Copperstone mine project, located in mining-friendly Arizona. The company's current focus is on maximizing the Copperstone Mine's (“Copperstone”) potential by defining and expanding current resources and further optimizing the mine's economics for the purpose of the restart of production in 2022.

### **2. Significant accounting policies**

The consolidated financial statements comprise the consolidated financial statements of the Company and its subsidiaries and have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”). All significant intercompany transactions and balances have been eliminated on consolidation. The consolidated financial statements have been presented in Canadian dollars (“CAD”), except where otherwise indicated.

The consolidated financial statements were approved for issue by the Board of Directors on September 27, 2021.



# **Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)**

## **Notes to the Consolidated Financial Statements**

**Years Ended June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

### **Basis of Presentation**

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The consolidated financial statements are presented in Canadian dollars.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below.

### **Basis of consolidation**

The consolidated financial statements are prepared by consolidating the financial statements of the Company and its wholly-owned subsidiaries. This includes American Bonanza Gold Corp. and its subsidiary, Bonanza Explorations Inc., and Bear Lake Gold Ltd. Bear Lake Gold Ltd. is now a dormant company.

The acquisition of a business is accounted for using the acquisition method. The cost of the acquisition is measured based on the fair value of the consideration provided and allocated to the identified assets and liabilities of the acquiree. The goodwill arising, if any, is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the fair value of net identifiable assets acquired and the liabilities assumed.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the consolidated financial statements, all inter-company balances and transactions between entities in the Company, including any unrealized profits or losses, have been eliminated.

### **Exploration, evaluation and care and maintenance expenditures**

All exploration and evaluation costs (including the cost of acquiring exploration rights), net of incidental revenue, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized to mineral property. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated reserves as the depletion base.

### **Mineral properties**

Mine development costs, including acquisition costs and reclassified exploration and evaluation assets are recorded at cost less accumulated amortization and accumulated impairment losses. Costs associated with commissioning new assets, net of incidental revenue, are capitalized as mineral property costs until commercial production has commenced. The Copperstone project had not reached commercial production as at June 30, 2021.

Mine development and stope access incurred during the development of a mine are capitalized into mineral property. Mine development and stope access incurred during the commercial production phase are production costs that are included in the costs of inventories produced during the period that these costs are incurred, unless the mine development and stope access activity can be shown to give rise to future benefits from the mineral property such as increased reserves, in which case the costs would be capitalized to mineral property. In November 2020, the Company entered into a gold purchase agreement with a US\$18,000,000 prepayment to finance the restart of underground operations and gold production at Copperstone Gold Mine in Arizona, USA. As of December 1, 2020, the Company commenced capitalizing the related expenditures.

# **Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)**

## **Notes to the Consolidated Financial Statements**

**Years Ended June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

### **Mineral properties (continued)**

The carrying values of mineral properties, plant and equipment are depreciated to their estimated residual values over their estimated useful lives or the estimated useful life of the associated mine, if shorter. Mineral property acquisition and development costs and certain plant and equipment are depreciated on a unit of production basis based upon proven and probable reserves. Depreciation related to production activities is initially recorded in inventories when ore is extracted from the mine. As the Company is in the commissioning stage, the depreciation is recorded in mineral property in the same period as the capitalized revenue from the sale of the inventories.

### **Deferred revenue**

Deferred revenue arises from up-front payments received by the Company or obligations acquired in consideration for future commitments as specified in its various streaming arrangements. The accounting for streaming arrangements is dependent on the facts and terms of each of the arrangements. Revenue from streaming arrangements are recognized when the customer obtains control of the gold metal and the Company has satisfied its performance obligations.

The Company identified significant financing components related to its streaming arrangements resulting from a difference in the timing of the up-front consideration received and delivery of the promised goods. Interest expense on deferred revenue is recognized in finance costs. The interest rate is determined based on the rate implicit in each streaming agreement at the date of inception or acquisition.

### **Warrants**

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in contributed surplus. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to expired warrants is left in contributed surplus.

### **Foreign currencies**

#### Foreign currency translations

IAS 21, the effects of changes in foreign exchange rates, takes a functional currency approach, looking at each entity separately. The parent and each subsidiary determine their functional currency, which is the currency of the primary economic environment in which the entity operates. Management reviewed the primary and secondary indicators in IAS 21 and determined the functional currency of each entity is Canadian dollar except for its United States subsidiaries which are in the United States dollar (“US\$”).

When the Company translates the financial statements of subsidiaries from their functional currency to presentation currency, assets and liabilities are translated into US dollars at the exchange rate in effect at the balance sheet date. Share capital, equity reserves, shares to be (cancelled) issued, accumulated other comprehensive income, and accumulated deficit are translated into US dollars at historical exchange rates. Revenues and expenses are translated into US dollars at the average exchange rate for the year. Foreign currency translation adjustment is included in other comprehensive income.

Transactions in foreign currencies are translated to the respective functional currencies of each subsidiary at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

# **Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)**

## **Notes to the Consolidated Financial Statements**

**Years Ended June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

### **Cash**

Cash is comprised of cash and highly liquid investments that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value.

Restricted investments are excluded from cash.

### **Taxation**

Income tax expense represents the sum of current and deferred income taxes.

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statements of income and comprehensive income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Earnings (loss) per share**

The basic earnings or loss per share is computed by dividing the net income or loss by the weighted average number of common shares outstanding during the period. The diluted earnings or loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

### **Property, plant and equipment**

Property, plant and equipment other than land are carried at cost less accumulated depreciation and accumulated impairment losses. Land is carried at cost less accumulated impairment losses. The cost of property, plant and equipment comprises their purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated close down and restoration costs associated with the asset.

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

### Property, plant and equipment (continued)

Depreciation is recorded over the shorter of the useful life of the asset or the remaining life of the mine. Depreciation for the major categories of property, plant and equipment is as follows:

#### Straight-line basis

Assets within operations for which usage is not expected to fluctuate significantly from one year to another are depreciated on a straight-line basis as follows:

Buildings	15 years
Computer equipment	1 - 5 years
Motor vehicles	10 years
Mine and mill equipment	3 - 15 years
Right of use asset (leases)	Term of lease

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount.

### Financial instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Under IFRS 9, such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

#### Financial assets

The Company classifies its financial assets into three categories, depending on the cash flow characteristics of the assets and the business objective for managing the assets. Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The Company's accounting policy for each category is as follows:

**Amortized cost** - Assets are held within a business model with the objective of collecting their contractual cash flow; and the contractual cash flows consist solely of payments of principal and interest. They are recognized initially at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost less cumulative impairment losses. A gain or loss on a debt investment is recognized in profit and loss when the asset is derecognized or impaired.

**Fair value through other comprehensive income (“FVTOCI”)** – Assets are held within a business model that includes both hold to collect their contractual cash flow and sell the assets; and the contractual cash flows consist solely of payments of principal and interest. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses are recognized directly in profit or loss. The cumulative fair value gains or losses recognized in OCI are reclassified to profit or loss when the asset is derecognized. An election may be made to classify an equity investment, that is neither held for trading nor represents contingent consideration recognized by an acquirer in a business combination, as held at FVTOCI. The option to designate an equity instrument at FVTOCI is available at initial recognition and is irrevocable. This designation results in all gains and losses being presented in OCI except dividend income which is recognized in profit or loss.

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

### Financial instruments (continued)

Fair value through profit and loss (“FVTPL”) - Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an ‘accounting mismatch’ that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial asset at FVTPL is available at initial recognition and is irrevocable.

Financial assets should be reclassified when and only when an entity changes its business model for managing financial assets. Any such reclassifications are applied prospectively from the date of the reclassification.

### Financial liabilities

Under IFRS 9, financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception. IFRS 9 contains an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces an ‘accounting mismatch’ that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial liability at FVTPL is available at initial recognition and is irrevocable.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

The following table summarizes the classification and measurement changes under IFRS 9 for each financial instrument:

<b>Classification</b>	<b>IFRS 9</b>
Cash	Amortized cost
Accounts receivable	Amortized cost
Marketable securities	FVTPL
Restricted investments	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory notes payable	Amortized cost
Convertible promissory notes payable	Amortized cost
Other loan	Amortized cost
Decommissioning liabilities	Amortized cost
Lease liability	Amortized cost
Deferred revenue	Amortized cost
Derivative financial liabilities	FVTPL

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

### Financial instruments (continued)

#### Allowance for expected credit losses

IFRS 9 provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets. The credit loss model groups receivables based on similar credit risk characteristics and the number of days past due in order to estimate bad debt expenses. The Company assesses the lifetime expected credit loss related to its sales receivables and re-assesses the provision each reporting period. When measuring the expected credit loss, the Company considers a variety of factors including: evidence of the debtor's financial condition, the term of the receivable and any changes in economic conditions.

### Impairment of long-lived assets

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to determine whether there is an indication that those assets have suffered an impairment loss or when annual impairment testing for an asset is required. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of the asset and reverse the impairment loss recognized in prior periods. The reversal of an impairment loss will not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

### Provisions

#### Decommissioning liabilities

Costs for reclamation and remediation are a normal consequence of mining, and the majority of these costs are incurred at the end of the life of the mine. Decommissioning liabilities are estimated for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of the affected areas) in the financial period when the related environmental obligation occurs, based on the estimated future costs using information available at the statement of financial position date. The costs are estimated on the basis of a closure plan which represents management's best estimate of the costs.

The decommissioning liabilities are discounted using a risk-free rate. At the time of establishing the provision, a corresponding asset is capitalized within mineral property for amounts carried on the consolidated statements of financial position and expensed as the mineral property is analyzed.

The decommissioning liabilities are reviewed on an annual basis to reflect known developments, such as revisions to cost estimates and to the estimated lives of operations, and for changes to legislation or discount rates. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate and the adjusted cost of the asset is depreciated prospectively.

# **Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)**

## **Notes to the Consolidated Financial Statements**

**Years Ended June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

### **Provisions (continued)**

#### Other provisions

Provisions are recognized when the Company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted to the net present value using an appropriate current market-based pre-tax discount rate.

### **Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed by way of note unless the likelihood of them crystallizing is considered remote. Contingent assets are not recognised in the consolidated financial statements but are disclosed by way of note if they are deemed probable.

### **Share-based payments**

Under the Company’s stock option plan, all stock options granted have graded vesting period and exercisable three to five years from the date of grant. Each tranche of an award with graded vesting period is considered a separate grant at each vest date for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. 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, the estimated volatility, estimated risk-free rate and estimated forfeitures.

If a grant of the share based payments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

The amount recognized for goods or services received during the vesting period are based on the best available estimate of the number of equity instruments anticipated to vest. The Company revises that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from previous estimates. On vesting date, the Company revises the estimate to equal the number of equity instruments that ultimately vested.

After vesting date, the Company makes no subsequent adjustment to total equity for goods or services received if the share options are later forfeited at the end of the share option's life.

### **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

# **Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)**

## **Notes to the Consolidated Financial Statements**

**Years Ended June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

### **Convertible promissory notes**

The Company’s convertible promissory notes are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements.

The conversion feature of the convertible promissory notes is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument. One of criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash (“fixed for fixed”).

If the conversion feature meets the fixed for fixed criteria, the conversion option will be classified as equity components.

Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the convertible promissory notes is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criteria, the conversion option will be recorded as derivative financial liability, which must be separately accounted for at fair value on initial recognition. The carrying amount of the debt component, on initial recognition, is recalculated as the difference between the proceeds of the convertible promissory notes as a whole and the fair value of the derivative financial liabilities. Subsequent to initial recognition, the derivative financial liability is re-measured at fair value at the end of each reporting period with changes in fair value recognized in the statement of operation for each reporting period, while the debt component is accreted to the face value of the debt using the effective interest method.

Transaction costs are allocated to the debt and equity components or derivative liability components in proportion to the allocation of the proceeds on initial recognition. Transaction costs allocated to equity components will be accounted for as a deduction from equity, net of any related income tax benefit; cost allocated to the derivative financial liability component are expensed; and cost allocated to the debt component are offset against the carrying amount of the liability and included in the determination of the effective interest rate.

### **Transaction costs**

Incremental costs incurred in respect of raising capital or debt are charged against the equity or debt proceeds raised, unless the instrument to which the transaction costs relate is classified FVTPL, in which case the incremental costs are expensed in the statements of income (loss) immediately.

### **Other comprehensive income**

Other comprehensive income (loss) is the change in shareholders' equity, which results from transactions and other events and circumstances from non-shareholder sources. These transactions and events include unrealized gains and losses resulting from foreign currency translation of foreign subsidiaries.



# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

### Significant accounting judgments and estimates

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates.

#### Judgments:

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next year are discussed below:

#### *Development stage*

In management's judgment the Company's operations moved from exploration and evaluation stage to the development stage during the year ended June 30, 2021.

#### *Valuation of Mineral properties*

Operating levels intended by management for the Copperstone mine:

Prior to a mine being capable of operating at levels intended by management, costs incurred are either expensed or capitalized based on the type of costs incurred. Costs related to developing the property are generally capitalized, while care and maintenance costs and costs related to exploration and evaluating new ore bodies are expensed. The Company undertakes a review of the carrying values of mineral properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Management concluded that there is no indication for the impairment of mineral properties as of June 30, 2021 due to positive results from the additional underground drilling program in June 2021.

#### *Functional currency*

The functional currency for the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

#### *Impairment of property, plant and equipment*

Assets or cash generating units are evaluated at each reporting date to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss recognized to the extent that carrying amount exceeds recoverable amount. The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs to sell and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties, and is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal.

Present values are determined using a risk-adjusted pre-tax discount rate appropriate for the risks inherent to the asset. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditure. The Company's management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence, there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be charged against profit or loss.

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

### Significant accounting judgments and estimates (continued)

#### Estimates:

The following are some of the more significant estimates made in the preparation of these consolidated financial statements:

#### *Provisions*

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

The Company’s mining activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes management’s best estimate for asset retirement obligations in the period in which they occur. Actual costs incurred in future periods could differ materially from the estimates. The ultimate cost of environmental remediation can vary in response to many factors including future changes to environmental laws and regulations, the emergence of new restoration techniques, changes in the life of mine estimates and in discount rates, which could affect the carrying amount of this provision. Refer to note 15 for more details.

#### *Derivatives and debt valuation*

The valuation of debt and embedded derivatives for convertible instruments is based on the application of a recognized option valuation formula, which is highly dependent on, amongst other things, the expected volatility of the Company’s registered shares and the expected life of the options. The Company uses an expected volatility rate for its shares based on past stock trading data, adjusted for future expectations, and actual volatility may be significantly different.

The resulting value calculated is not necessarily the value that the holder of the instrument could receive in an arm’s length transaction. It is management’s view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

#### *Share-based payments*

The fair value of share-based payments is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option, the volatility of the underlying share price, the risk free rate of return, and the estimated rate of forfeiture of options granted.

#### *Allowance for expected credit losses*

IFRS 9 Financial instruments introduces an expected credit loss (“ECL”) impairment model applicable to all debt instruments within financial assets classified as amortized cost or at fair value through other comprehensive income (“FVTOCI”), as well as certain off-balance sheet loan commitments. The general principle of the ECL model is to reflect the pattern of deterioration or improvement in the credit quality of the associated financial instruments. The calculated allowance is designed to be an unbiased and probability-weighted amount that has been determined by: evaluating possible outcomes; the time value of money; reasonable and supportable information about past events; and current and forecasted economic conditions. The IFRS 9 ECL approach has three stages:

Stage 1 – includes financial instruments that have not had a significant increase in credit risk since initial recognition, or that have low credit risk at the reporting date. An ECL equal to expected credit losses resulting from default events over the next 12 months is recognized and interest revenue is calculated on the assets’ gross carrying amounts;

Stage 2 – includes financial instruments that have had significant increase in credit risk since initial recognition, but for which there is no objective evidence of impairment at the reporting date. An ECL equal to expected credit losses resulting from default events over the assets’ lifetime (“lifetime ECL”) is recognized and interest revenue is calculated on the assets’ gross carrying amounts. In general, an asset’s lifetime is considered to be its remaining contractual lifetime;

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

### Significant accounting judgments and estimates (continued)

Stage 3 – includes financial instruments that have objective evidence of impairment at the reporting date. The lifetime ECL is recognized and interest revenue is calculated on the assets’ net carrying amounts, which are determined as the asset amount net of their lifetime ECL.

### New standards not yet adopted and interpretations issued but not yet effective

The following standards and interpretations have been issued but are not yet effective as of June 30, 2021: IAS 16, Property, Plant and Equipment – Proceeds before Intended Use. On May 14, 2020, the IASB published a narrow scope amendment to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The amendment applies retrospectively, but only to items of property, plant and equipment made available for use in the earliest period presented in the financial statements in the year of adoption. The Company intends to adopt the amendment in its financial statements for the annual period beginning on January 1, 2021.

### Capital risk management

The Company manages its capital with the following objectives:

- to safeguard the Company's ability to continue as a going concern,
- to raise sufficient proceeds from share issues to meet general and administrative expenditures and project expenditures,
- to provide an adequate return to shareholders by advancing the Company’s projects to production while ensuring it meets the listing requirements of the Toronto Stock Exchange, and
- to maintain the royalty prepayments within the limits allowed by the agreement.

The Company has loans payable, accounts payable and accrued liabilities and equity, and consequently defines capital as all of the components of debt and equity which as at June 30, 2021 amount to \$28,552,424 (June 30, 2020 - \$14,243,453). The Company’s capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company’s properties are in the exploration and development stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

The directors of the Company review the capital structure from time to time. As part of this review, the directors considered the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through issue of new shares, new debt or the redemption or extension of existing debt.

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

### Financial instruments

#### Fair value hierarchy

Fair value hierarchy - IFRS 7, Financial instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - valuation techniques based on 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)
- Level 3 - valuation techniques using the inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. There was no movement between different levels for the year ended June 30, 2021 and 2020.

Marketable securities are marked-to-market at each period end and so the carrying amount also represents the fair value and were classified as level 1 financial instruments.

The fair value of the derivative financial liability (conversion feature) was estimated by using Black-Scholes pricing model with the assumptions and was classified as level 2 financial instruments.

The fair value of accounts receivable, restricted investments, accounts payable and accrued liabilities, promissory notes payable, convertible promissory notes payable, other loan, lease liability and decommissioning liabilities approximates their carrying values due to their short-term nature

#### Credit risk

The Company's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, totals the carrying amount of these assets as stated in the consolidated statements of financial position.

The Company's principal financial assets are cash, restricted investments and accounts receivable, which represent the Company's exposure to credit risk in relation to financial assets.

The credit risk on cash and restricted investments is mitigated by transacting with banks with high credit ratings assigned by international credit-rating agencies.

An allowance for expected credit losses is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information when necessary. As at June 30, 2021 and 2020, there were no receivables past due.

#### Interest rate risk

The interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its promissory notes payable and convertible promissory notes payables.

#### Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2021, the Company had cash of \$6,796,147 (June 30, 2020 - \$378,331) to settle current financial liabilities of \$818,232 (June 30, 2020 - \$3,847,139). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

#### Financial instruments (continued)

Company, control of the Company may change and shareholders may suffer additional dilution.

The following table details the Company's contractual maturities for its financial liabilities as at June 30, 2021 and 2020, due by year:

As at June 30, 2021	Carrying amount	Contractual cash flow	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	\$ 596,380	\$ 596,380	\$ 596,380	\$ -	\$ -
Deferred revenue	15,606,056	15,606,056	-	6,868,155	8,737,901
Promissory notes payable	4,962,107	4,962,107	-	-	4,962,107
Convertible promissory notes	7,667,288	7,954,320	-	-	7,954,320
Lease liability	28,258	29,505	29,505	-	-
Other loan	193,594	193,594	193,594	-	-
Decommissioning liabilities	2,190,294	2,330,401	-	-	2,330,401
	<b>\$ 31,243,977</b>	<b>\$ 31,672,363</b>	<b>\$ 819,479</b>	<b>\$ 6,868,155</b>	<b>\$ 23,984,729</b>

As at June 30, 2020	Carrying amount	Contractual cash flow	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	\$ 1,199,122	\$ 1,199,122	\$ 1,199,122	\$ -	\$ -
Promissory notes payable	7,031,402	7,031,402	-	7,031,402	-
Convertible promissory notes	7,676,123	7,943,230	2,725,600	5,217,630	-
Lease liability	60,060	64,884	32,442	32,442	-
Other loan	212,869	212,869	-	212,869	-
Decommissioning liabilities	2,530,645	2,530,645	-	-	2,530,645
	<b>\$ 18,710,221</b>	<b>\$ 18,982,152</b>	<b>\$ 3,597,164</b>	<b>\$ 12,494,343</b>	<b>\$ 2,530,645</b>

#### Currency risk

The Company's exploration activities are conducted in Arizona, United States. Major purchases and exploration expenditures are transacted in US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk on its cash held in US bank and convertible promissory notes payable. As at June 30, 2021, the Company held US\$4,808,931 of monetary assets and held US\$16,724,605 in monetary liabilities. A \$0.05 fluctuation in the value of the Canadian dollar would result in an increase or decrease to profit or loss of approximately \$5,958. The Company mitigates the risk of foreign currency fluctuations by converting Canadian dollars to US currency when required to fund expenditures. The Company does not currently hedge its foreign exchange risk.

#### Sensitivity analysis

The carrying amounts of financial instruments approximates their fair market value. The movement on cash and cash equivalents interest rates by a plus or minus 1% change would have no material impact on the value of those items.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

- The Company has restricted cash as at June 30, 2021 at a fixed interest rate of between 0.75% and 1.00% per annum. An increase in the interest rate of 1% would result in a \$10,431 (2019 - \$11,469) increase in the interest earned on the investment.
- The Company has loans and borrowings as at June 30, 2021 with various fixed interest rates. Therefore, a percentage change in interest rates will not have a significant impact on the Company.

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

#### 3. Restricted investments

Pursuant to the term of the surety bond disclosed in (note 20) the Company provided cash collateral of \$1,043,125 or US\$816,000 (June 30, 2020 - \$1,146,909 or US\$816,000) which is held with the Bank of New York in the name of the Company to cover a portion of the decommission liabilities related to the Copperstone property (note 14).

#### 4. Accounts receivable

	As at June 30, 2021	As at June 30, 2020
HST receivable	\$ 15,985	\$ 23,291
Other receivables	2,519	42,596
<b>Total</b>	<b>\$ 18,504</b>	<b>\$ 65,887</b>

#### 5. Right-of-use assets

<b>Balance, June 30, 2019</b>	<b>\$ -</b>
Additions	108,494
Depreciation for the period	(27,391)
Foreign exchange movements	2,307
<b>Balance, June 30, 2020</b>	<b>83,410</b>
Depreciation for the period	(33,711)
Foreign exchange movements	(7,553)
<b>Balance, June 30, 2021</b>	<b>\$ 42,146</b>

Mobile equipment is depreciated over 36 months. During the year ended June 30, 2021, \$16,855 recorded as depreciation expenses and \$16,856 was capitalized as mineral properties.

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

#### 6. Property, plant and equipment

Cost	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
<b>Balance, June 30, 2019</b>	\$ 2,632,657	\$ 466,075	\$ 1,376,850	\$ 61,117	\$ 5,500,892	\$ 10,037,591
Disposals	-	-	(385,043)	-	-	(385,043)
Foreign exchange differences	108,831	19,267	51,153	2,527	227,400	409,178
<b>Balance, June 30, 2020</b>	<b>2,741,488</b>	<b>485,342</b>	<b>1,042,960</b>	<b>63,644</b>	<b>5,728,292</b>	<b>10,061,726</b>
Additions	-	-	58,872	-	-	58,872
Disposals	-	-	(58,872)	-	-	(58,872)
Foreign exchange differences	(248,239)	(43,947)	(94,439)	(5,764)	(518,690)	(911,079)
<b>Balance, June 30, 2021</b>	<b>\$ 2,493,249</b>	<b>\$ 441,395</b>	<b>\$ 948,521</b>	<b>\$ 57,880</b>	<b>\$ 5,209,602</b>	<b>\$ 9,150,647</b>

Accumulated depreciation	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
<b>Balance, June 30, 2019</b>	\$ -	\$ 231,486	\$ 481,097	\$ 61,117	\$ -	\$ 773,700
Depreciation for the year	-	95,632	279,500	-	-	375,132
Disposals	-	-	(200,511)	-	-	(200,511)
Foreign exchange differences	-	11,001	21,069	2,527	-	34,597
<b>Balance, June 30, 2020</b>	<b>-</b>	<b>338,119</b>	<b>581,155</b>	<b>63,644</b>	<b>-</b>	<b>982,918</b>
Depreciation for the period	-	88,275	197,879	-	-	286,154
Disposals	-	-	(8,177)	-	-	(8,177)
Foreign exchange differences	-	(30,616)	(52,622)	(5,764)	-	(89,002)
<b>Balance, June 30, 2021</b>	<b>\$ -</b>	<b>\$ 395,778</b>	<b>\$ 718,235</b>	<b>\$ 57,880</b>	<b>\$ -</b>	<b>\$ 1,171,893</b>

Carrying value	Buildings	Mine and mill equipment	Surface vehicles	Computer equipment	Mill	Total
Balance, June 30, 2019	\$ 2,632,657	\$ 234,589	\$ 895,753	\$ -	\$ 5,500,892	\$ 9,263,891
Balance, June 30, 2020	\$ 2,741,488	\$ 147,223	\$ 461,805	\$ -	\$ 5,728,292	\$ 9,078,808
<b>Balance, June 30, 2021</b>	<b>\$ 2,493,249</b>	<b>\$ 45,617</b>	<b>\$ 230,286</b>	<b>\$ -</b>	<b>\$ 5,209,602</b>	<b>\$ 7,978,754</b>

#### 7. Mineral properties

	As at June 30, 2021	As at June 30, 2020
Opening balance	\$ 7,270,466	\$ 7,270,466
Capitalization of expenditure for the period	8,206,555	-
<b>Total</b>	<b>\$ 15,477,021</b>	<b>\$ 7,270,466</b>

The Company is engaged in exploring and developing the Copperstone gold property in La Paz County, Arizona, United States. In November 2020, the Company entered into a gold purchase and sale agreement (“Purchase Agreement”) with Star Royalties Ltd. (“Star Royalties”) with a prepayment of US\$18 million, payable in three tranches of US\$6 million each. As of December 1, 2020 the Company has commenced capitalizing the related expenditures. Amounts capitalized in the period includes drilling services expenses, direct labor costs incurred and other expenses deemed to be recovered in future.

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

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### 7. Mineral properties (continued)

The Company holds a 100% leasehold interest in the Copperstone Project. The landlord is The Patch Living Trust. The current lease expires June 12, 2026. The lease is renewable for one or more ten-year terms at the Company’s option under the same terms and conditions. The Company is obligated to pay for all permitting and state lease bonding, insurance, taxes, and is also required to pay an annual lease payment of US\$40,000 to the Patch Living Trust. In addition, the Company is obligated to pay a quarterly production gross royalty equal to 1.5% of the disposition of Metal Products by the Company. Total annual production gross royalty obligations for the Copperstone Property total 6%. Of the annual gross production royalty, 4.5% is payable to Trans Oceanic Minerals Company Ltd. (“TOMCL”), a company controlled by Fahad Al Tamimi, the Company’s Chairman of the Board of Directors, and 1.5% payable to the Patch Living Trust. During the period ended June 30, 2021, the Company entered into an agreement to acquire a 3% royalty from TOMCL, which will reduce the aggregate Royalty on the Copperstone Gold Mine from 6% to 3%. The purchase agreement entered into between the Company’s subsidiary, Bonanza Explorations Inc. (“Bonanza”), and TOMCL provides for the buyback of a 3% Royalty held by TOMCL for US\$2,500,000.

All required property payments were made with respect to the Copperstone Project as of June 30, 2021, and all claims are in good standing. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company’s ability to retain the rights to certain of its properties is dependent upon the Company continuing to make option payments and meet other commitments.

### 8. Lease liability

On September 1, 2019, the Company entered into a thirty-six month lease agreement for mobile equipment. The total lease payments of \$87,036 have been discounted at the implicit interest rate of 7% and resulted in a present value of \$78,551. Under the lease agreement, the Company is required to pay a quarterly payment of \$7,483 (US\$5,951).

	<b>Total</b>
<b>Balance, June 30, 2019</b>	<b>\$ -</b>
Additions	78,551
Interest expense	3,816
Lease payments	(24,332)
Foreign exchange movements	2,025
<b>Balance, June 30, 2020</b>	<b>60,060</b>
Interest expense	3,296
Lease payments	(30,959)
Foreign exchange movements	(4,139)
<b>Balance, June 30, 2021</b>	<b>\$ 28,258</b>



## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

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(Expressed in Canadian Dollars)

#### 8. Lease liability (continued)

	As at June 30, 2021	As at June 30, 2020
Current	\$ 28,258	\$ 28,988
Long-term	-	31,072
	<b>\$ 28,258</b>	<b>\$ 60,060</b>

The following table presents the contractual undiscounted cash flows for lease obligation as at June 30, 2021:

Less than one year	\$ 29,505
One to two years	-
<b>Total undiscounted lease obligation</b>	<b>\$ 29,505</b>

#### 9. Deferred revenue

On November 12, 2020, the Company entered into the US\$18 million, payable in three tranches of US\$6 million each, precious metals delivery and purchase agreement (the “Purchase Agreement”) with Star Royalties to finance the restart of underground operations and gold production at the Copperstone Gold Mine (“Copperstone”) in Arizona. As at June 30, 2021, the Company had received the first two tranches amounting to \$15,848,800 (US\$12 million) from Star Royalties through the Purchase Agreement.

The Company recorded the advances received on precious metals delivery as deferred revenue and will recognize the amounts in revenue as performance obligations to metals delivery are satisfied over the term of the Purchase Agreement. The advances received on precious metals delivery is expected to reduce to nil through deliveries of the Company’s own production to Star Royalties. The Company determined the amortization of deferred revenue on a per unit basis to be equal to the expected total deliveries of gold ounces over the term of the Purchase Agreement.

The Company identified significant financing components related to its streaming arrangements resulting from a difference in the timing of the up-front consideration received and delivery of the promised goods and recognized the interest expenses at incremental interest rate. The interest expenses of \$751,783 interest expense was recorded during the year ended June 30, 2021.

The following are components of deferred revenue as at June 30, 2021:

Advance received	\$ 15,484,800
Exchange translation loss	(630,527)
Accrued interest	751,783
<b>Total</b>	<b>\$ 15,606,056</b>

#### 10. Other loans payable

In May 2020, the Company received a loan under the Paycheque Protection Program of US\$156,200 from the U.S. Small Business Administration, an Agency of the United States of America. The loan will mature in 2 years and the applicable interest rate is 1% per year. The Company has applied to have the loan forgiven.

# Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 11. Promissory notes payable

	Promissory note <sup>(1)</sup>	Promissory convertible note <sup>(2)</sup>	Total
<b>Balance, June 30, 2019</b>	\$ 4,176,893	\$ 2,314,220	\$ 6,491,113
Accrued interest	347,664	192,625	540,289
<b>Balance, June 30, 2020</b>	<b>4,524,557</b>	<b>2,506,845</b>	<b>7,031,402</b>
Accrued interest	437,550		437,550
Transferred to convertible promissory notes	-	(2,506,845)	(2,506,845)
<b>Balance, June 30, 2021</b>	<b>\$ 4,962,107</b>	<b>\$ -</b>	<b>\$ 4,962,107</b>

- 1) The promissory note with principal of \$3,609,763 is payable to Braydon Capital Corporation, a company controlled by Claudio Ciavarella, an Officer, a Director and Shareholder of Arizona Gold. The promissory note bears an interest rate of 8% beginning in September 2017 and has a maturity date of August 22, 2020. In November 2019, the maturity date was extended to January 20, 2021 and then again to August 22, 2021. In November 2020, the maturity date was extended again to December 31, 2023. The rate of interest payable on the principal of the notes has been increased from 8% to 10% as of November 12, 2020, with interest payable quarterly starting upon the commencement of commercial production. The principal of \$3,609,763 (2020 - \$3,609,763 and accrued interest of \$1,352,344 (2020 - 914,79) were outstanding as of June 30, 2021.
- 2) Braydon Capital Corporation and Trans Oceanic Minerals Corporation Ltd. each provided promissory notes of \$1,000,000 to the Company, bearing interest at 8% beginning in September 2017 and having a maturity date of August 22, 2020. The notes are secured by a general security agreement on the Copperstone Mine. In November, the maturity date was extended to January 20, 2021 and then again to August 22, 2021. In November 2020, the maturity date was extended to December 31, 2023. The rate of interest payable on the principal of the notes has been increased from 8% to 10% as of November 12, 2020, with interest payable quarterly starting upon the commencement of commercial production. The promissory notes were also amended to include a conversion feature providing that the principal amount of the notes can be converted into common shares of Sabre Gold at any time prior to maturity at a price of \$0.16 per share, subject to early conversion in the event the volume-weighted average trading price of the common shares exceeds \$0.30 for twenty consecutive trading days.

The conversion feature of a convertible financial instrument is presumed to be classified as a derivative financial liability unless it meets all the criteria to be recognized as an equity instrument under IAS 32 - Financial Instruments: Presentation. One of the criteria is that the conversion option exchanges a fixed amount of shares for a fixed amount of cash (“fixed for fixed”).

The conversion feature of the \$2,000,000 promissory notes was classified as equity since it met the fixed for fixed criteria. The Company used the residual value method to allocate the principal amount between the liability and equity components. The Company calculated the fair value of the debt component as \$1,823,805 using discount rate of 15%, being management’s best estimate of the rate that a non-convertible debenture with similar terms would bear. The remaining value of \$176,194, deducted the deferred tax liability of \$46,691, was assigned to the equity component. The accretion expenses of \$31,251 (2020 - \$nil) was recorded during the year ended June 30, 2021.

## **Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)**

### **Notes to the Consolidated Financial Statements**

**Years Ended June 30, 2021 and 2020**

**(Expressed in Canadian Dollars)**

#### **12. Convertible promissory notes payable**

##### **Kerr Debenture I**

The Company has a convertible promissory note in the amount of US\$2,054,570 (“Kerr Debenture I”) payable to Trans Oceanic Minerals Corporation Ltd. The Kerr Debenture I had a maturity date of August 22, 2019 and an annual interest rate of 8% compounded monthly. The holder has the right to convert any part of the amount owing into common shares of the Company at a conversion price of \$0.90 per common share.

##### **Kerr Debenture II**

The Company has a convertible promissory note in the amount of US\$1,000,000 (“Kerr Debenture II”) payable to Trans Oceanic Minerals Corporation Ltd. The Kerr Debenture II had a maturity date of August 22, 2019 and an annual interest rate of 8%, compounded monthly. The holder has the right to convert any part of the amount owing into common shares of the Company at a conversion price of \$0.065 per common share.

##### **Kerr Debenture I and II**

Since the convertible promissory note payables are denominated in US dollars but are convertible into common shares based upon a Canadian dollar conversion rate, therefore the fixed for fixed criteria is not met. As such, the conversion feature was classified as a derivative financial liability instead of an equity instrument. The Company has separated the convertible promissory notes payable into two components, with the debentures carried at amortized cost, and the derivative liabilities carried at fair value.

In November 2018, the Kerr Debenture I and II convertible promissory notes were amended by extending the maturity date from August 22, 2019 to August 22, 2020. As a result, the Company extinguished these two convertible promissory notes when they were amended on November 28, 2018 and treated them as two new convertible promissory notes with a maturity date of August 22, 2020. The Company calculated the fair value of the conversion feature and re-allocated the convertible promissory note payables into two components, with the debentures carried at amortized cost, and the derivative liabilities carried at fair value.

In March 2020, the Kerr Debenture I and II convertible promissory notes maturity date were extended to January 20, 2021 and then again to August 22, 2021. As a result, the Company treated them as two new convertible promissory notes with a new maturity date of August 22, 2021. The Company calculated the fair value of the conversion features and re-allocated the convertible promissory note payables into two components, with the debentures carried at amortized cost, and the derivative liabilities carried at fair value.

In November 2020, the Kerr Debenture I and II convertible promissory notes maturity date was extended to December 31, 2023. The rate of interest payable upon the principal of the notes has been increased from 8% to 10% as of November 12, 2020 with the interest payable quarterly starting on the commencement of commercial production. The Company calculated the fair value of the conversion features and re-allocated the convertible promissory note payables into two components, with the debentures carried at amortized cost, and the derivative liabilities carried at fair value.

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### **Notes to the Consolidated Financial Statements**

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**(Expressed in Canadian Dollars)**

#### **12. Convertible promissory notes payable (continued)**

##### **Sprott convertible note**

On November 6, 2018, the Company executed a term sheet with Sprott Private Resource Lending (Collector) LP (“Sprott”), setting out the indicative terms upon which Sprott was prepared, subject to meeting prescribed project milestones including satisfactory due diligence, to provide up to US\$25 million of senior secured project financing (the “Financing Package”) to fund the development and production of gold at the Copperstone Mine.

On November 28, 2018, the Company closed the CDN\$2.7 million (US\$2 million) Sprott Note financing. The Sprott Note is convertible into Common Shares at any time prior to maturity at a conversion price of CDN\$0.16 per share. The Company could redeem the Sprott Note at any time by paying the outstanding principal amount in cash, or with the agreement of the holder, in common shares of the Company, together with interest payable to maturity. In connection with the Sprott Note, the Corporation issued to Sprott one million common share purchase warrants entitling the holder to purchase one common share at a price of CDN\$0.15 until November 27, 2021, subject to acceleration.

On July 2, 2019, the Company issued 724,177 shares to Sprott as the interest payment of \$116,815 (note 15). On August 6, 2019, Sprott elected to convert \$660,850 (US\$500,000) of Sprott Note I into 4,130,313 common shares of the Company (note 15). On March 20, 2020, the maturity date of the Sprott Note I was extended to May 31, 2021 and the expiry date of the Sprott Warrants I was extended to November 28, 2023 (note 17). The original residual amount of \$106,678 assigned to the Sprott Warrants I has been moved from warrant reserve to contributed surplus.

The Company treated the modification as an extinguishment of the original financial liabilities and recognition of new financial liabilities. The Company recalculated the fair value of the liability component, Sprott Warrants I, and the derivative liabilities. The fair value of the financial derivative liability (conversion feature) was estimated at \$46,206 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 0.61%; volatility 73.28% and an expected life of 14 months.

On March 20, 2020, the Company received an additional \$716,600 (US\$500,000) convertible note (“Sprott Note II”) from Sprott. The Sprott Note II has a maturity date of May 31, 2021, an interest rate of 9% per annum, compounded and payable semi-annually. The Sprott Note II is convertible into Common Shares at any time prior to maturity at a conversion price of CDN\$0.13 per share. The Corporation can redeem the Sprott Note II at any time by paying the outstanding principal amount and accrued interest in cash, or with the agreement of the holder, in common shares of the Corporation. In connection with the Sprott Note II, the Company issued to Sprott an additional 650,000 common share purchase warrants (“Sprott Warrants II”). Each Sprott Warrant II entitles the holder to purchase one Common Share at a price of \$0.13 until November 28, 2023 (note 17).

The warrants met the fixed for fixed criteria and was classified as an equity instrument and the residual amount of \$13,745 being the fair value of the equity (Sprott Warrants II). The fair value of the financial derivative liability (conversion feature) was estimated at \$20,355 by using Black-Scholes pricing model with the assumptions; dividend yield 0%; risk free interest 0.61%; volatility 73.28% and an expected life of 14 months. Transaction costs of \$83,660 were allocated to the debt components, equity components and derivative liability components in proportion to the allocation of the proceeds on initial recognition. Transaction costs of \$2,595 were allocated to the equity component and was accounted for as a deduction from equity; and \$81,065 was allocated to the debt component and was offset against the carrying amount of the debt and included in the determination of the accretion expenses.

As part of the Star Royalties Purchase Agreement, the Company has repaid the outstanding US\$2 million convertible promissory note and accrued interest to the maturity date March 31, 2021. As a result of the prepayment of US\$2 million convertible promissory note, the derivative liabilities related to the conversion feature were derecognized.

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#### 12. Convertible promissory notes payable (continued)

The following table summarizes the debt component:

	Kerr debenture I	Kerr debenture II	Sprott note I and II	Promissory convertible note	Total
<b>Balance, June 30, 2019</b>	\$ 3,094,121	\$ 1,450,059	\$ 2,477,483	\$ -	\$ 7,021,663
Less converting of loan	-	-	(777,665)	-	(777,665)
Issue of convertible debt	-	-	716,600	-	716,600
Less transaction costs	-	-	(83,660)	-	(83,660)
Less fair value of convertible feature	(2,512)	(177,942)	(66,561)	-	(247,015)
Less fair value of detachable warrants	-	-	(62,765)	-	(62,765)
Less deferred tax	-	-	(45,047)	-	(45,047)
Accrued interest	263,560	128,280	204,708	-	596,548
Interest paid	-	-	(204,708)	-	(204,708)
Accretion expense	21,926	178,943	312,025	-	512,894
Foreign exchange	131,280	65,549	52,449	-	249,278
<b>Balance, June 30, 2020</b>	<b>3,508,375</b>	<b>1,644,889</b>	<b>2,522,859</b>	<b>-</b>	<b>7,676,123</b>
Transferred from promissory notes	-	-	-	2,506,845	(2,506,845)
Less repayment of principal	-	-	(2,000,000)	-	(2,000,000)
Less fair value of convertible feature	-	-	-	(176,194)	(176,194)
Accrued interest	318,318	156,026	167,500	242,386	884,230
Interest paid	-	-	(167,500)	-	(167,500)
Accretion expense	12,048	88,987	202,740	34,252	338,027
Amendment	(54,186)	(127,572)	-	-	(181,758)
Foreign exchange-	(327,443)	(159,443)	(725,599)	-	(1,212,485)
<b>Balance, June 30, 2021</b>	<b>\$ 3,457,112</b>	<b>\$ 1,602,887</b>	<b>\$ -</b>	<b>\$ 2,607,289</b>	<b>\$ 7,667,288</b>

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

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#### 13. Derivative financial liabilities

The following table summarizes the derivative financial liabilities:

	Kerr debenture		Sprott note	
	I	II	I and II	Total
<b>Balance, June 30, 2019</b>	\$ 38,339	\$ 176,897	\$ 215,059	\$ 430,295
Derecognition of derivative liabilities	(38,339)	(176,897)	(215,059)	(430,295)
Derivative liabilities on initial recognition	2,512	177,942	66,561	247,015
Fair value adjustment	(496)	(67,342)	29,609	(38,229)
<b>Balance, June 30, 2020</b>	<b>2,016</b>	<b>110,600</b>	<b>96,170</b>	<b>208,786</b>
Derecognition of derivative liabilities	(2,016)	(110,600)	(96,170)	(208,786)
Derivative liabilities on initial recognition	54,186	127,572	-	181,758
Fair value adjustment	(33,982)	(43,125)	-	(77,107)
<b>Balance, June 30, 2021</b>	<b>\$ 20,204</b>	<b>\$ 84,447</b>	<b>\$ -</b>	<b>\$ 104,651</b>

#### 14. Decommissioning liabilities

The Company's decommissioning liability relates to the cost of removing and restoration of the Copperstone Mine in La Paz County, Arizona. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. This estimate depends on the development of environmentally acceptable mine closure plans.

A continuity for asset retirement obligations is as follows:

##### Asset Retirement Obligation

<b>Balance, June 30, 2019</b>	<b>\$ 2,271,222</b>
Accretion expense for the year	9,690
Foreign exchange differences	93,889
Adjustment	155,844
<b>Balance, June 30, 2020</b>	<b>2,530,645</b>
Accretion expense for the period	25,835
Foreign exchange differences	(224,879)
Adjustment	(141,307)
<b>Balance, June 30, 2021</b>	<b>\$ 2,190,294</b>

##### Copperstone:

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

- i) Total undiscounted amount of future retirement costs was estimated to be \$2,190,294 (US\$1,767,222) to which the Company has provided cash collateral as disclosed in (note 3).
- ii) Risk-free rate at 0.46%.
- iii) Expected timing of cash outflows required to settle the obligation is for the full amount to be paid in 2027.
- iv) Inflation over the period up to 2027 was estimated to be 1.63% per annum.

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### 15. Share capital

#### a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### b) Common shares issued

	Number of common shares	Amount
<b>Balance, June 30, 2019</b>	<b>280,374,577</b>	<b>\$141,743,418</b>
Shares issued for interest <sup>(i)</sup>	724,177	116,815
Conversion of promissory note <sup>(ii)</sup>	4,130,313	660,850
Common shares issued in private placement <sup>(iii)</sup>	22,913,486	3,207,888
Value allocated to warrants <sup>(iii)</sup>	-	(714,964)
Share issue costs	-	(98,433)
Options exercised <sup>(iv)</sup>	2,200,000	492,888
<b>Balance, June 30, 2020</b>	<b>310,342,553</b>	<b>\$145,408,462</b>
Common shares issued in placement <sup>(v)</sup>	35,720,000	5,000,800
Value allocated to warrant <sup>(v)</sup>	-	(716,618)
Share issue cost	-	(567,485)
<b>Balance, June 30, 2021</b>	<b>346,062,553</b>	<b>\$149,125,159</b>

<sup>(i)</sup> On July 2, 2019, the Company issued 724,177 shares at a price of \$0.16 per share to Sprott for the interest payment of 116,815 (US\$90,500) accrued for Sprott Note I.

<sup>(ii)</sup> On August 6, 2019, Sprott elected to convert \$660,850 (US\$500,000) of Sprott Note I into 4,130,313 common shares of the Company at a price of \$0.16 per share.

<sup>(iii)</sup> On February 28, 2020, the Company closed a private placement, by issuing 22,913,486 units of the Company (the “Units”) at a price of \$0.14 per Unit for total gross proceeds of \$3,207,888. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.21 per share for a period of 24 months from the date of issuance, provided, that if, at any time the common shares trade at a volume weighted average trading price of \$0.30, or greater, per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The fair value of the 22,913,486 share purchase warrants was estimated at \$714,964 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 1.14%; volatility 77.29% and an expected life of 24 months. In connection with the private placement, the Company paid finder fees totaling \$63,474 to certain eligible persons and incurred legal and other cost of \$34,959.

<sup>(iv)</sup> On September 6, 2019, a Director and Officer of the Company exercised 2,200,000 options at a price of \$0.125 per for proceeds of \$275,000 (note 16 (ii)).

<sup>(v)</sup> On August 10, 2020, the Company closed a bought deal financing for aggregate gross proceeds of \$5,000,800 (the “Offering”). Pursuant to the Offering, the Company issued a total of 35,720,000 units of the Company (the “Units”) at a price of \$0.14 per Unit. Each Unit consists of one common share in the capital of the Company (a “Common Share”) and one half of one Common Share purchase warrant (a “Warrant”). Each whole Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.22 for a period of 24 months. The fair value of the 17,860,000 share purchase warrants was estimated at \$716,618 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.27%; volatility 82.11% and an expected life of 24 months. The Company incurred legal and other issuance costs of \$229,124. The Company also paid cash of \$300,048 and issued 2,143,200 broker warrants to the underwriter for the Offering. Each broker warrant entitles the holder thereof to purchase one Common Share at a price of \$0.14 for a period of 24 months. The fair value of the 2,143,200 broker warrants was estimated at \$147,686 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%;

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risk free interest 0.27%; volatility 82,11% and an expected life of 24 months.

#### 16. Share-based payments reserve

The purpose of the Company’s stock option plan is to provide incentives to Directors, Officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10% of issued and outstanding shares. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The term of the options shall not exceed five years from the date of grant.

Option pricing models require the input of highly subjective assumptions as noted above. Changes in the subjective input assumptions can materially affect the fair value estimate.

The following table reflects the continuity of stock options for the year ended June 30, 2021 and June 30, 2020:

	Number of Stock options	Weighted Average Exercise price
<b>Balance, June 30, 2019</b>	<b>13,000,000</b>	<b>\$ 0.200</b>
Issued <sup>(i)</sup>	10,900,000	0.131
Exercised <sup>(ii)</sup>	(2,200,000)	(0.125)
<b>Balance, June 30, 2020</b>	<b>21,700,000</b>	<b>\$ 0.170</b>
Issued <sup>(iii), (iv)</sup>	1,500,000	0.140
Cancelled <sup>(v)</sup>	(3,700,000)	0.175
<b>Balance, June 30, 2021</b>	<b>19,500,000</b>	<b>\$ 0.167</b>

- (i) On November 5, 2019, the Company issued 2,200,000 stock options to a Director and Officer of the Company with an exercise price of \$0.135. The options vested immediately. The fair value of these options at the date of grant of \$243,800 was assigned to the stock options as estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$0.135; 118% expected volatility; risk free interest rate of 1.59%; and an expected dividend yield of 0%.
- (ii) On September 6, 2019, a Director and Officer of the Company exercised 2,200,000 options at a price of \$0.125 per for proceeds of \$275,000 (note 15 (iv)).
- (iii) On January 4, 2021, the Company issued 500,000 stock options to an Officer of the Company with an exercise price of \$0.140. Half the options vested immediately and the remainder vested on June 30, 2021. The fair value of these options at the date of grant of \$56,000 was assigned to the stock options as estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$0.140; 114% expected volatility; risk free interest rate of 0.39%; and an expected dividend yield of 0%.
- (iv) On March 29, 2021, the Company issued 1,000,000 stock options to an Officer of the Company with an exercise price of \$0.140. The options vested immediately. The fair value of these options at the date of grant of \$81,138 was assigned to the stock options as estimated by using the Black-Scholes option pricing model with the following assumptions: a five year expected average life; share price of \$0.140; 91.29% expected volatility; risk free interest rate of 0.97%; and an expected dividend yield of 0%.
- (v) During the year ended June 30, 2021, 3,700,000 options were cancelled and \$508,112 was transferred from Share based payments reserve to contributed surplus.

During the year ended June 30, 2021, \$28,000 was expensed to share based payments (2020 - \$1,100,707) and \$109,138 was capitalized as mineral properties (June 30, 2020 - \$nil).



## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

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#### 16. Share-based payments reserve (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2021:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
May 2, 2022	0.190	0.84	2,000,000	2,000,000
August 23, 2022	0.220	1.15	2,500,000	2,500,000
January 12, 2023	0.300	1.54	2,000,000	2,000,000
November 28, 2023	0.140	2.41	500,000	500,000
January 29, 2024	0.140	2.58	500,000	500,000
April 15, 2024	0.125	2.79	800,000	800,000
November 5, 2024	0.135	3.35	2,200,000	2,200,000
April 18, 2025	0.130	3.80	7,500,000	7,500,000
January 3, 2026	0.140	4.52	500,000	500,000
March 29, 2026	0.140	4.75	1,000,000	1,000,000
	<b>0.167</b>	<b>2.83</b>	<b>19,500,000</b>	<b>19,500,000</b>

#### 17. Warrants reserve

The following table reflects the continuity of warrants for the years ended June 30, 2021 and 2020:

	Number of warrants	Amount
<b>Balance, June 30, 2019</b>	<b>29,991,357</b>	<b>\$ 0.22</b>
Issued (note 15(iii))	22,913,486	0.21
Issued (note 15(iii))	650,000	0.13
Expired	(4,401,948)	(0.27)
<b>Balance, June 30, 2020</b>	<b>49,152,895</b>	<b>\$ 0.21</b>
Issued (note 15(v))	17,860,000	0.22
Issued (note 15(v))	2,143,200	0.14
<b>Balance, June 30, 2021</b>	<b>69,156,095</b>	<b>\$ 0.21</b>

The following table reflects the actual warrants issued as of June 30, 2021:

Number of warrants outstanding	Grant date fair value (\$)	Exercise price (\$)	Expiry date
21,239,409	370,039	0.21	November 27, 2021 <sup>(i)</sup>
3,350,000	213,289	0.21	April 15, 2022 <sup>(ii)</sup>
22,913,486	714,964	0.21	February 28, 2022
17,860,000	716,618	0.22	August 10, 2022
2,143,200	147,686	0.14	August 10, 2022
1,000,000	49,020	0.15	November 28, 2023
650,000	13,745	0.13	November 28, 2023
<b>69,156,095</b>	<b>2,225,361</b>	<b>0.21</b>	

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### 17 Warrants reserve (continued)

- (1) 21,239,409 share purchase warrants were issued on November 27, 2018 with an expiry date of November 27, 2020. On December 22, 2020, the expiry date was extended to November 27, 2021. The Company treated the extension as an extinguishment of the original warrants and recognition of new warrants. The grant date fair value of \$869,826 was transferred from warrant reserve to contributed surplus. The fair value for the extension of the 21,239,409 share purchase warrants was estimated at \$370,039 using the Black-Scholes pricing model with the following assumptions: dividend yield 0%; risk free interest 0.16%; volatility 83% and an expected life of 11 months. Each Warrant entitles the holder to purchase one Common Share at a price of CDN\$0.21 per Common Share for a period of 12 months from the date of extension provided that if, at any time the Common Shares trade on a stock exchange at a volume weighted average trading price of \$0.30, or greater, per Common Share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.
- (2) 3,350,000 share purchase warrants were issued on April 15, 2019 with an expiry date of April 15, 2021. On December 22, 2020, the expiry date was extended to April 15, 2022. The Company recorded the incremental difference of \$73,606 in warrants reserve for the warrants extension. These warrants were valued on the extension date using the following Black-Scholes option pricing model parameters; a risk-free interest rate of between 0.22%, a dividend yield of 0%, a volatility of between 85.13% and an expected life of between 1.31 years.

### 18. Loss per share

For the year ended June 30, 2021, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$4,879,005 (June 30, 2020 - \$7,084,517) and the weighted average number of common shares outstanding of 342,050,169 (June 30, 2020 - 294,299,255) for basic and diluted loss per share. Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

### 19. Related party transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

The noted transactions below are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

#### (a) Loans from related parties

The Company has entered a series of financial transactions with related parties as detailed below:

#### **June 30, 2021**

Promissory note payables (note 11)	\$4,962,107
Convertible promissory note payables (note 12)	7,667,288
Derivative financial liabilities (note 13)	104,651
<b>Total</b>	<b>\$ 12,734,046</b>

#### **June 30, 2020**

Promissory note payables (note 11)	\$ 7,031,402
Convertible promissory note payables (note 12)	7,676,123
Derivative financial liabilities (note 13)	208,786
<b>Total</b>	<b>\$ 14,916,311</b>

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

(Expressed in Canadian Dollars)

#### 19. Related party transactions (continued)

(b) the Company entered into the following transactions with related parties:

		Year Ended June 30	
		2021	2020
The Marrelli Group	(i)	\$ 43,356	\$ 64,116
Peterson McVicar LLP	(ii)	232,929	84,713
Braydon Capital Corporation	(iii)	558,743	443,976
Trans Oceanic Minerals Corporation Ltd	(iv)	595,537	488,152
Forte Fixtures & Millwork Inc	(v)	400,000	-
Total		\$ 1,830,565	\$ 1,080,957

i) During the year ended June 30, 2021, the Company paid, as part of related party transactions, professional fees and disbursements of \$43,356, (2020 - \$64,116) to Marrelli Support Services Inc., DSA Corporate Services Inc., DSA Filling Services Limited and Marrelli Press Release Services Limited, together known as the “The Marrelli Group”, for:

- Carmelo Marrelli, President of Marrelli Group, to act as the Chief Financial Officer (“CFO”) of the Company, Mr. Marelli resigned from his position as CFO on January 13, 2021 and ceased to be a related party;
- Bookkeeping services;
- Regulatory filing services;
- Corporate secretarial services, and
- Press release services.

These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at June 30, 2021, the Marrelli Group was owed \$2,543 (June 30, 2020 - \$19,396).

ii) A Director is a partner in a legal firm that provided legal services to the Company. The amounts paid or accrued to the firm relating to services provided in the normal course of business during the year ended June 30, 2021 was \$232,929, (2020 - \$84,713). The amounts owing to the firm as at June 30, 2021 was \$41,264 (June 30, 2020 - \$66,720).

iii) During the year ended June 30, 2021, the Company accrued interest to Braydon Capital Corporation for the promissory notes payables (note 11).

iv) During the year ended June 30, 2021, the Company accrued interest to Trans Oceanic Minerals Corporation Ltd for the promissory notes payables (note 11) and convertible promissory notes payable (note 12).

v) During the year ended June 30, 2021, the Company expensed consulting fees and rent amounting to \$400,000 (2020 - \$nil) to Forte Fixtures & Millwork Inc, a company controlled by a Director of the Company. The amounts paid or accrued to the firm related to the services provided in the normal course of business.

During the year ended June 30, 2020, a Director and Officer of the Company exercised 2,200,000 stock options exercised at \$0.125 per share for total proceeds of \$275,000 (note 15 (iv)).

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

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#### 19. Related party transactions (continued)

During the year ended June 30, 2021, there was no stock options exercised by Directors and Officers of the Company.

(b) Remuneration of Directors and key management personnel, other than consulting fees, of the Company was as follows:

	Year Ended June 30, 2021	Year Ended June 30, 2020
Salaries and benefits	\$ 272,310	\$ 302,108
Consulting fee	454,512	350,000
Share based payments	137,138	1,006,830
	<b>\$ 863,960</b>	<b>\$ 1,658,938</b>

The Directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services.

#### 20. Commitments and contingencies

- a) The Company has placed a surety bond of an insurance company in connection with the Copperstone Property as required by the US Bureau of Land Management. Cash collateral of \$1,043,125 (US\$841,637) is held with the Bank of New York in the name of the Company in a short term cashable account.
- b) The activities of the Company are subject to environmental laws and regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, endangered species and reclamation of lands disturbed by mining operations. The Company believes it complies with all laws and regulations which currently apply to its activities.

#### 21. Income taxes

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rates for the year ended June 30, 2021 and 2020 is as follows:

	June 30, 2021	June 30, 2020
Loss before income taxes	\$ (4,879,005)	\$ (7,134,942)
Combined statutory rate	26.5%	26.5%
Estimated recovery of income taxes	\$ (1,293,000)	\$ (1,891,000)
Non-deductible expenditures	178,000	284,000
Share issue costs	(59,000)	(31,000)
Foreign tax rate differential	43,000	517,000
Deferred tax asset not recognized	1,087,000	1,071,000
<b>Deferred income tax recovery</b>	<b>\$ (44,000)</b>	<b>\$ (50,000)</b>

The Canadian statutory income tax rate of 26.5% (2020 – 26.5%) is comprised of the federal income tax rate at approximately 15% (2020 – 15%) and the provincial income tax rate of approximately 11.5% (2020 – 11.5%).

## Sabre Gold Mines Corp. (formerly “Arizona Gold Corp.”)

### Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

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#### 21. Income taxes (continued)

The primary differences which give rise to the deferred income tax assets (liability) as at June 30, 2021 and 2020 are as follows:

	June 30, 2021	June 30, 2020
<b>Deferred income tax assets (liability)</b>		
Non-capital loss carry forwards	\$ 26,975,000	\$ 25,735,000
Pre-production investment tax credit	2,625,000	2,625,000
Other timing differences	(2,409,000)	(2,375,000)
Resource expenditures	39,204,000	39,204,000
Net capital losses	(216,000)	(216,000)
	66,179,000	64,973,000
Deferred tax asset not recognized	(66,179,000)	(64,973,000)
<b>Deferred income tax assets (liabilities)</b>	<b>\$ -</b>	<b>\$ -</b>

As at June 30, 2021, the unamortized balance, for income tax purposes, of the share issuance fees amounts to approximately \$559,616 (2019 - \$252,782) and will be deductible over the next four years.

As at June 30, 2021, the Company has \$133,077,000 (2020 - \$133,077,000) of unused CEE, CDE and FED expenses available to offset future taxable income. The tax benefits pertaining to these expenses are available to carry forward indefinitely. In addition, the Company has resource pools of \$67,709,000 in the United States as at June 30, 2021, which can be utilized to be deducted against future resource profits.

As at June 30, 2021, the Company has \$2,413,000 (2020 - \$2,413,000) of certain Investment Tax Credits that can be used to offset future taxes payable.

As at June 30, 2021, the Company has Canadian loss carry-forwards of approximately \$63,402,290 (2020 - \$59,332,000) and US tax loss carry forwards of approximately \$30,727,000 (2020 - \$30,386,000). These non-capital losses can be used to offset future taxable income and begin to expire in 2024. The Company also has Canadian capital loss carryforwards of approximately \$5,802,000 (2020 - \$5,802,000) that can be carried forward indefinitely and be applied against future capital gains.

The benefits of these losses, tax credits and resource expenditures, in excess of any taxable temporary differences, have not been recorded in these consolidated financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

#### Deferred taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities are presented below.

The Spratt note (note 13) has been separated into liability and equity components on its initial recognition. The tax base of the convertible debenture on initial recognition is its face value and resulted in a taxable temporary difference arising from the equity components. Consequently, the Company recognized the deferred tax liability, which is charged directly to the carrying amount of the equity components.

The interest accretion expense increased the carrying value of liability component and reduced the temporary difference, and then reduced the carrying value of deferred tax liabilities. The convertible debenture extension increased the taxable temporary difference and deferred tax liability again.

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### Notes to the Consolidated Financial Statements

Years Ended June 30, 2021 and 2020

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#### Deferred taxes (continued)

The following table summarizes the deferred income tax liabilities arising from Sprott note:

<b>Balance, June 30, 2019</b>	<b>\$ 40,772</b>
Deferred tax recovery due to amendment of financial liabilities	(40,772)
Arising from convertible financial liabilities	45,047
Deferred tax recovery due to accretion expenses	(9,653)
<b>Balance June 30, 2020</b>	<b>\$ 35,394</b>
Deferred tax recovery due to amendment of financial liabilities	(35,394)
Arising from convertible financial liabilities	46,692
Deferred tax recovery due to accretion expenses	(9,077)
<b>Balance June 30, 2021</b>	<b>\$ 37,615</b>

#### 22. Segmented information

As at June 30, 2021, the Company’s operations comprise of a mineral exploration and development project in La Paz County, Arizona (“USA”) which also represents the geographical location and a head office in Toronto, Canada.

##### Year Ended June 30, 2021

	Canada	USA	Total
Revenues	\$ -	\$ -	\$ -
Net loss	\$ (4,386,674)	\$ (492,331)	\$ (4,879,005)

##### Year Ended June 30, 2020

	Canada	USA	Total
Revenues	\$ -	\$ -	\$ -
Net loss	\$ (2,612,653)	\$ (4,471,864)	\$ (7,084,517)

##### As at June 30, 2021

	Canada	USA	Total
Total assets	\$ 21,961,156	\$ 9,668,034	\$ 31,629,190
Non-current assets	\$ 16,752,305	\$ 7,788,741	\$ 24,541,046

##### As at June 30, 2020

	Canada	USA	Total
Total assets	\$ 17,121,109	\$ 1,156,351	\$ 18,277,460
Non-current assets	\$ 16,752,306	\$ 827,287	\$ 17,579,593

#### 23. Subsequent events

On August 25, 2021 the respective shareholders of Sabre Gold Mines Corp and Golden Predator Mining Corp agreed to merge the two companies to create a new North American focused near-term gold producer which combines the fully permitted past-producing Copperstone gold mine in Arizona and the historic past-producing Brewery Creek gold mine in the Yukon.

In conjunction with the merger the company has changed its name to Sabre Gold Mines Corp.

Under the terms of the Agreement, all of the issued and outstanding common shares of Golden Predator were exchanged for common shares of Sabre Gold on the basis of 1.65 common shares of Sabre Gold per common share of Golden Predator.